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 2021

Contents

	2021 HK$'million	2020 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**11,850**	8,945	32.5%
Profit attributable to equity holders of the Company	**8,144**	5,151	58.1%
Non-recurrent gains, net of tax[1]	**(607)**	(993)	(38.9%)
Recurrent profit	**7,537**	4,158	81.3%
Earnings per share (HK cents)			
Basic	**219.87**	146.25	50.3%
Dividend per share (HK cents)			
Interim dividend	**22.00**	18.00	22.2%
Final dividend	**72.00**	51.00	41.2%
	94.00	69.00	36.2%
Consolidated statement of financial position highlights			
Total assets	**178,690**	170,064	5.1%
Capital and reserves attributable to equity holders of the Company	**98,262**	87,889	11.8%
Net interest-bearing debts and lease liabilities[2]	**27,728**	28,864	(3.9%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**8,785**	5,822	50.9%

	2021 HK$'million	2020 HK$'million	Year-on-year changes
Revenue			
Ports operation	**11,069**	8,304	33.3%
Bonded logistics operation	**560**	469	19.4%
Other operations	**221**	172	28.5%
Total	**11,850**	8,945	32.5%
EBITDA[3]			
Ports operation	**6,066**	4,300	41.1%
Bonded logistics operation	**214**	245	(12.7%)
Other operations	**148**	67	120.9%
EBITDA	**6,428**	4,612	39.4%
Share of profits less losses of associates and joint ventures	**7,254**	4,457	62.8%
Non-recurrent gains	**825**	1,701	(51.5%)
Corporate function	**(180)**	(55)	227.3%
Finance costs, net	**(1,415)**	(1,524)	(7.2%)
Taxation	**(1,241)**	(1,077)	15.2%
Depreciation and amortisation	**(2,286)**	(2,033)	12.4%
Non-controlling interests and holders of perpetual capital securities	**(1,241)**	(930)	33.4%
Profit attributable to equity holders of the Company	**8,144**	5,151	58.1%

1 For 2021, include gain on modification of contract terms for a concession arrangement, net of tax of HK$483 million, net gain on deemed disposal of partial interest in associates, net of tax of HK$407 million, gain on deemed disposal of a subsidiary, net of tax of HK$16 million, net change in fair value of investment properties, net of tax of HK$12 million, and net change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$311 million. For 2020, include gain on resumption of certain land parcels at Shantou, net of tax of HK$775 million, gain on discontinuance of equity accounting for a joint venture, net of tax of HK912 million, goodwill impairment loss of a subsidiary of HK$621 million, net change in fair value of investment properties, net of tax of HK$105 million, and net change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$178 million.

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

3 Earnings of the Company and its subsidiaries before finance costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, non-recurrent gains, corporate function, profit attributable to non-controlling interests and holders of perpetual capital securities.

Presence of China Merchants Port Holdings Company Limited

Asia and Oceania

Colombo, Sri Lanka
Colombo International Container Terminals

Hambantota, Sri Lanka
Hambantota International Port Group

Singapore
CMA CGM-PSA Lion Terminal

Busan, South Korea
Busan New Container Terminal

Ho Chi Minh City, Vietnam
Vietnam International Container Terminals

Laem Chabang, Thailand
Laem Chabang International Terminal

Umm Qasr, Iraq
Umm Qasr Terminal

Newcastle, Australia
Port of Newcastle

Hambantota, Sri Lanka
Hambantota Port Industrial Park

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

Rotterdam, the Netherlands
Rotterdam World Gateway

Thessaloniki, Greece
Thessaloniki Port Authority

Istanbul, Turkey
Kumport

Odessa, Ukraine
Odessa Terminal

Africa and Americas

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

Paranaguá, Brazil
Terminal de Contêineres de Paranaguá

Kingston, Jamaica
Kingston Freeport Terminal

Miami, United States
South Florida Container Terminal

Houston, United States
Terminal Link Texas

City of Djibouti, Djibouti
Djibouti International Free Trade Zone

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

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

South-West Region

Zhanjiang Port Group

Kaohsiung, Taiwan

Kao Ming Container Terminal

Bohai Rim

Liaoning 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

42 Ports

in

25 Countries and Regions

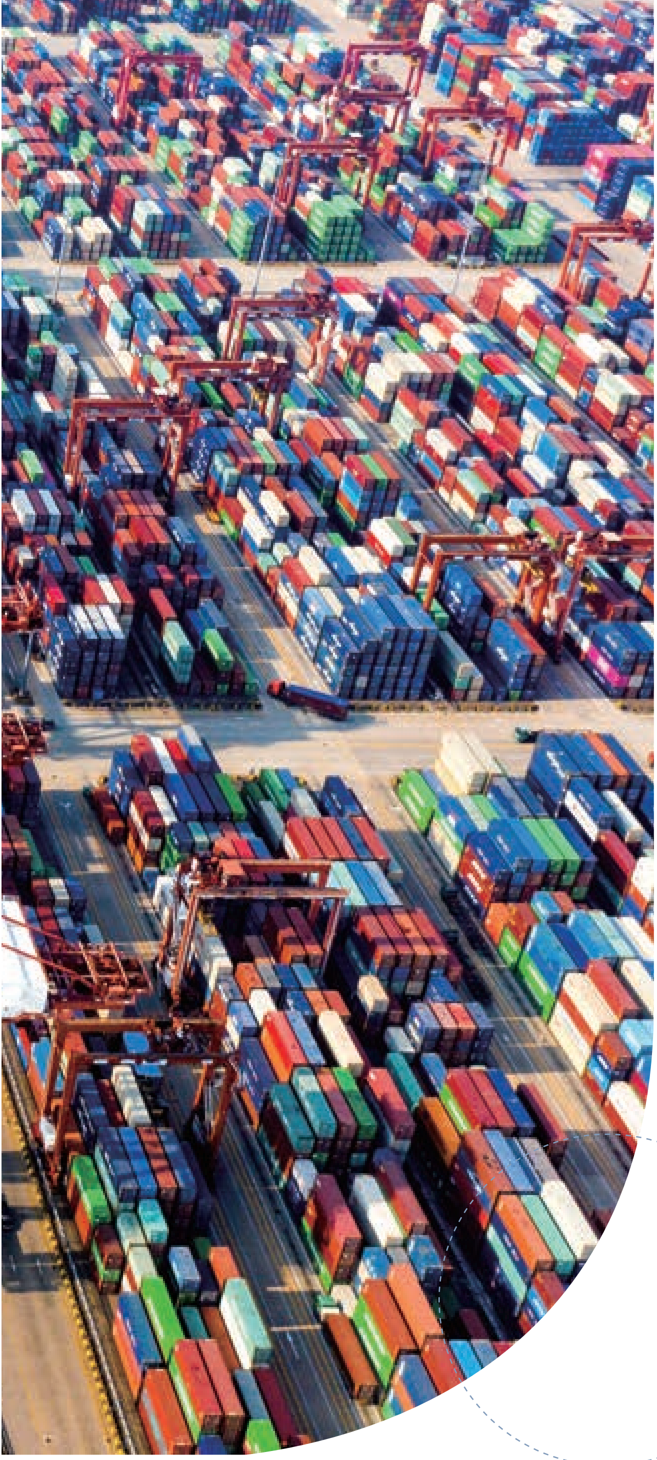
on

6 Continents

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 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 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 2021

FEBRUARY

In February, Liaoning Port Company Limited ("**Liaoning Port**") (formerly known as "**Dalian Port (PDA) Company Limited**") successfully completed the merger with Yingkou Port Liability Co., Ltd.. Post consolidation, the Group's equity interest in Liaoning Port was diluted from 21.05% to 12.00%. In November, Liaoning Port completed the private placement, and the Group's equity interest in Liaoning Port was further diluted from 12.00% to 11.32%.

NOVEMBER

The Board of Director of the Company (the "**Board**") appointed Mr. Wang Xiufeng as the Vice Chairman of the Board and the Chief Executive Officer of the Company and Mr. Yim Kong as an Executive Director and the Managing Director of the Company, with effect from 3 November 2021.

DECEMBER

Hambantota International Port Group (Private) Limited ("**HIPG**") received the Fitness for Service Certificate (FFS) for its diesel tank area and the oil berth #1. HIPG's tank area met the requirements for comprehensive operation and international operation standards, and its business of marine bunker supply for cargo ships realized diversified development.

JUNE

Mawan Smart Port officially commenced operation in late June 2021, with the harbour area of 983,600 sq.m. and the quay length of 1,930 metres. It has five berths in total, including two newly built berths with 200,000-ton capacity specialized for container vessels, and its capacity represents the largest in South China. Those two berths can handle the world's largest container vessels, with a design capacity of 3 million TEUs p.a., being a model for intelligent upgrade of traditional terminals in both domestic and overseas market.

SEPTEMBER

TCP Participações S.A. ("**TCP**") in Brazil signed an agreement with Administration of The Ports Of Paranaguá And Antonina to change the inflation index applied to its concessions from General Market Price Index "IGP-M" to Extended National Consumer Price Index "IPCA", which will help improve TCP's long-term stable operation.

CHAIRMAN'S STATEMENT

It is with great delight that I present China Merchants Port Holdings Company Limited (the "**Company**") and its subsidiaries' (the "**Group**") 2021 annual report and its audited financial statements for the year ended 31 December 2021.

In 2021, the global economy, especially the economic situation of major economies showed a keynote of overall recovery thanks to the accelerated vaccination process, easing monetary policy and continued proactive fiscal policy. However, the repeated spread of the epidemic and the orientation of various countries' anti-epidemic policies have led to a divergence in the economic recovery in different countries, together with uncertainties such as inflation, unstable supply chains, complications in geopolitical issues and exchange rate fluctuations, which have imposed challenges to the daily operation and management of enterprises. Amid the complex 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" and proactively coped with the challenges of COVID-19 pandemic. The Group also actively carried out various major tasks and further enhanced its core competitiveness in aspects such as the construction of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management and marketing and commerce, thereby accomplishing its established strategic goals and successfully completing various operational objectives of the year.

In 2021, the overall operation 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 135.04 million TEUs during the year, up 12.0% over the year of 2020. In respect of the development of homebase port, the Group continuously developed its West Shenzhen homebase port to become a world-class leading port and improved the intelligence level of the port, and at the same time extended the coordinated port model in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") to the Pearl River Delta area. In term of overseas business, the Group seized the opportunity of global trade restructuring and actively expanded business cooperation with shipping companies at its homebase port in Sri Lanka to promote the growth of business volume. As for comprehensive development, the Group continued to develop the comprehensive development model of "Port-Park-City", with steady growth in the number of companies located in the industrial parks of the Group's ports in Djibouti and Sri Lanka. In connection with innovative development, the Group promoted the construction of the "CM Chip" platform, the "CM ePort" platform and the "Smart Operation Management" platform, improved relevant implementation plans, enhanced the level of industrial digitalisation and continued to promote the construction of the Mawan Smart Port. In respect of capital operation, the Group continued to promote the dual-wheel drive model of "asset management + capital operation" and promoted the transformation and upgrading of existing terminals and the extension of the industrial chain to further enhance the Company's influence. Regarding operation management, the Group continued to build a value-creating operation management system through digital methods such as smart management platform. With regard to marketing and commerce, the Group further strengthened in-depth cooperation with major shipping companies, and meanwhile jointly formulated service strategies with various subordinate units to provide "one-stop" services for major cargo owners.

OPERATING RESULTS

In 2021, the Group's revenue reached HK$11,850 million, representing an increase of 32.5% year-on-year, which was mainly due to the high business volume of ports operation. Profit attributable to equity holders of the Company amounted to HK$8,144 million, representing an increase of 58.1% over 2020. Of this amount, recurrent profit[Note 1] was HK$7,537 million, increased by 81.3% over 2020.

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 72 HK cents per ordinary share. Together with the interim dividend of 22 HK cents per share, the total dividend for the year amounted to 94 HK cents per ordinary share, representing a full-year payout ratio of 43.6%. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the final dividend for ordinary shares will be payable on or around 22 July 2022 to shareholders whose names appear on the register of members of the Company on 13 June 2022.

REVIEW FOR THE YEAR

In 2021, the global situation of COVID-19 pandemic was complex and severe. In the first half of the year, the pandemic in Europe and the United States was eased thanks to the accelerated vaccination process, which led to a recovery of consumption side in global trade. However, in the second half of the year, the epidemic situation resumed. In addition to the global rebound of COVID-19 arising from the spread of COVID-19 Delta variant to various countries worldwide, the COVID-19 Omicron variant also spurred another wave of outbreaks in major regions around the world at the end of the year, increasing the uncertainties of global economic recovery significantly. During the year, due to repeated epidemics, inflation, extreme weather and other factors, the supply capacity on the production side was under pressure and supply disruptions generally lasted longer than expected, while the recovery on the consumption side was differentiated in different regions and sub-segments. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2022, the global economy was expected to increase by 5.9% year-on-year in 2021. Developed economies, emerging economies and developing economies were expected to increase by 5.0% and 6.5%.

In 2021, in the face of the complicated and challenging international environment, China organised and promoted pandemic prevention and control along with economic and social development. Its efforts effectively facilitated the restoration of normal production and everyday life, and realised significant strategic results in pandemic prevention and control. In the meantime, China accelerated the establishment of the new development model with internal circulation in the domestic market as the mainstay and the dual circulation in domestic and international market facilitating each other. As a result, China's economy recovered steadily. The Group's ports operation recorded a total container throughput of 135.04 million TEUs, representing a 12.0% year-on-year growth, and bulk cargo volume of 567 million tonnes, representing an increase of 38.0% year-on-year. Looking into the regional performance, Mainland China, Hong Kong and Taiwan contributed an aggregate

Note 1 Profit 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 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 of a subsidiary and gain on discontinuance of equity accounting for a joint venture.

container throughput of 101.47 million TEUs, up by 10.7% year-on-year; and overseas operations delivered a container throughput of 33.57 million TEUs, up by 16.3% year on year. Among the major ports in the Group's portfolio, container throughput handled by the West Shenzhen Port Zone was 11.48 million TEUs, up by 8.7% year-on-year, which was mainly benefitted from better growth of "Trunk Port" under the impact of pandemic. Shanghai International Port (Group) Co., Ltd. handled a container throughput of 47.03 million TEUs, representing a year-on-year increase of 8.1%. Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka delivered a year-on-year grown of 4.4% by handling a container throughput of 3.06 million TRUs. Hambantota International Port Group (Private) Limited ("**HIPG**")'s RORO and bulk cargo operations are well underway, and its RORO terminal handled 0.536 million vehicles, up by 38.0% year-on-year, and a bulk volume of 1.56 million tonnes, representing a growth of 25.6% year-on-year. Lomé Container Terminal S.A. ("**LCT**") in Togo handled a container throughput of 1.63 million TEUs, representing a growth of 19.2% year-on-year. TCP Participações S.A. ("**TCP**") in Brazil actively developed its hinterland sources of goods and handled a container throughput of 1.10 million TEUs, up by 12.0% year-on-year. Terminal Link SAS ("**Terminal Link**") delivered a container throughput of 25.52 million TEUs, up by 20.3% year-on-year.

In 2021, under the ongoing impact of the pandemic, the Group made every effort to promote its high-quality development 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. 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.

In respect of the development of homebase ports, the Group continued to implement the strategic objective of "building world-class leading ports". On the one hand, the Group continuously enhanced the comprehensive competitiveness of the West Shenzhen Port Zone. Mawan Smart Port has officially commenced operation in 2021, which became the first 5G smart port in the Greater Bay Area. 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, and provided customers with high quality and efficient services in order to enhance the core competitiveness of West Shenzhen Port Zone. On the other hand, the Group strengthened the leading position of the hub in South Asia of overseas homebase port in Sri Lanka, through integrated operation and management of HIPG and CICT in Sri Lanka, promoted the coordinated development of these two ports, and integrated development of key projects to comprehensively enhance regional competitiveness and influence.

In terms of overseas business, the Group kept abreast of changes in the economy and trade environment, comprehensively deepened business collaboration with internal resources and strategic partners, developed high-quality regional routes, focused on regional gateway ports, optimised the development of the overseas project management and control system, as well as the overseas project management policy, so as to improve the quality and efficiency of overseas terminals.

As for comprehensive development, the Group 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 steadily progressed. 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.

With regard to innovative development, the Group actively explored model innovation, created an innovative and dynamic development platform, and cooperated closely with relevant partners to jointly build an international hydrogen energy industry demonstration port. The Group actively accelerated industrial digitalisation, and established a smart port technology innovation laboratory. The Group continued to promote the construction of Mawan Smart Port which was completed during the year and officially put into operation. The Group continued to explore the coordinated ports in the Greater Bay Area, which greatly enhanced the efficiency of both the terminals and container turnover.

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

In respect of operation management, the Group continued to uphold its strategy, following the direction of "empowerment, professionalism and value" and aiming at 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. During the year, the intelligent management platform had been put into trial operation. The subsystem of the lifecycle asset management system launched to further optimise the overall management system through digitalisation. The Group improved institutional systems and internal control system to enhance risk management and controls.

As for marketing and commerce, the Group kept cooperating with major shipping companies and improved the port conditions to ensure routes stability. During the year, a number of intra-Asia and trans-Pacific shipping routes were newly added to the West Shenzhen Port Zone. The Group put more efforts 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 container throughput volume, strong representation of cargo types and strong influence on routes connection, and providing "one-stop" services to enhance customer stickiness. The Group improved the system of cargo transportation and logistics, and fully enhanced and expanded the hinterland of supply sources.

FUTURE PROSPECTS

Looking into 2022, the global economy will continue to show a general tone of recovery, however, the COVID-19 pandemic will continue to bring uncertainties to the global economic recovery. In January 2022, the IMF predicted the global economy to grow by 4.4% in 2022. The developed economies, the emerging markets and developing economies will grow by 3.9% and 4.8% respectively. Global trade volume (including goods and services) will grow by 6.0%, down by 3.3 percentage points as compared to that of 2021.

Looking into 2022, although the global container shipping market is expected to gradually return to normal, the container shortage and port congestion will be hard to improve in the short term. In terms of container freight rate, it is estimated to 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. As a leading comprehensive port service provider in the industry, the Group will take into account the domestic and international economic and trade situation as well as the development trend of the port and shipping industry, and seize the important opportunities for the implementation of China's major strategies. The Group will stick to the new development concept, fulfil the requirements of high quality development and pursue the strategy of "to be a world's leading comprehensive port service provider", so as to create greater value for the Company and seek more returns for its shareholders.

In 2022, the Group will continue 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 will vigorously promote the quality development of business and operation, and be committed to realising the strategic goal of "to be a world's leading comprehensive port service provider" with planned key priorities set out as below:

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

In terms of overseas business, the Group will continue to optimise its overseas presence. On the one hand, the Group will continue to strengthen regional market expansion and promote port-vicinity industry projects. On the other hand, the Group will enhance the management efficiency for overseas projects, strengthen the risk prevention and control, and improve the quality and efficiency of overseas terminals, so as to increase the income from overseas business.

In respect of comprehensive development, the Group will strive to become an important link in the internal and external economic cycle, and a cornerstone for the security and stability of the industrial supply chain. Apart from improving quality of services to existing customers and increasing customer stickiness, the Group will enhance the capability of nurturing and supporting hinterland industries, and accelerate the building of integrated development business of "Port -Park- City" in a mature model to realise the port's "land economy".

Regarding innovative development, the Group will strengthen technology empowerment to create a port ecosystem with innovation. Taking technology innovation as an entry point, the Group will explore comprehensive port service new model to promote the high-quality transformation and upgrading of the Group through active cooperation with relevant entities to realise technology empowerment. By the way of building up Research Institute of CMPort for Technological Innovation and Development, the Group will extend its business to the upstream and downstream of the industrial and value chain, and cultivate new business models. The Group will also enhance the operating effectiveness and efficiency of existing assets through innovation in technology and management, and increase the level of intelligentisation and the capability of production and operation of its terminals via the "CMCore" platform. By the use of "CM ePort" platform, the Group will innovate its business models to provide better customer service at the ports. By building an intelligent management platform, the Group will also enhance the comprehensive management ability thru information collection and analysis, as well as optimisation of procedures.

In respect of capital operation, the Group will continue to review existing assets and explore structural optimisation options to reduce 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 "from asset-heavy to asset-light" and "from quantity-oriented to quality-oriented", the Group will strive to improve capital operation plans, asset allocation and endogenous growth in order to enhance returns to its shareholders.

In term of operation management, the Group will continue to strengthen management and control optimisation for improvement of management efficiency. By continuously deepening the smart operation management platform system, the Group will improve the management standards of operations, and accelerate the development of an international operation and management system that sustainably creates value to build up a value-oriented management headquarters.

As for marketing and commerce, the Group will continue to strengthen the cooperation with major shipping companies and enhance the interaction with end-customers. Meanwhile, the Group will construct a collaborative platform, improve the construction of the market commerce system, and expand the coverage of the logistics supply chain endogenously and externally via shaping the integration, platformisation and digitalisation.

2022 is the year of deepening China's implementation of the "14th Five-Year Plan" and the 2035 vision. As the first country to realise a rapid economic recovery during the pandemic, China will continue to maintain its strong resilience of economic development and stimulate its huge potential for economic growth, and continue to make remarkable contributions to the recovery of the global economy. In the coming year, China will adhere to the general keynote of seeking progress in a stable manner in its economic work, continue to implement sound and effective macro policies, deepen structural reforms on the supply side by means of smoothing out the domestic circulation, linking up production, distribution, circulation and consumption, further stimulating the vitality of market entities and enhancing the momentum of endogenous development. In the future, policies of promoting the development of key regions such as the Greater Bay Area, the Yangtze River Delta and the Hainan Free Trade Zone, as well as policies of supporting technology innovation-driven development and green and low-carbon development, are expected to be introduced and implemented one after another, which will continue to bring new development opportunities for the industry.

The Group will firmly grasp the general keynote of seeking progress in a stable manner, and seize the development opportunities arising from China's accelerated construction of an internally and externally connected, safe and efficient logistics network. The Group will implement the new development concept and fulfil the requirements for quality development. Simultaneously, the Group will adhere to the two development paths of "endogenous growth + innovation and transformation", and act proactively and respond in a scientific way. The Group will focus on key areas and overcome difficulties, and continue to enhance its competitiveness in the global market to be a world-class comprehensive port service provider by improving the quality of customer services with reform and innovation. The Group will strive to create greater value for the Company and bring more returns to its shareholders.

INVESTOR RELATIONS

The Group attached great importance to investor relations. In 2021, the Group was unable to have face-to-face meetings with the investors in an environment of continued instability during the global pandemic. However, through a variety of online communication forms, the Group overcame the challenges brought about by the pandemic, and maintained close contact with investors around the world to convey the investment value of the Company to the capital market, so as to enhance investors' understanding and trust in the Group and therefore established a good image of listed companies in the international capital market. In 2021, the Group held approximately 550 communications with global investors and analysts, as well as participated or hosted 26 investor meetings, including online results announcement briefings, online results roadshow meetings and online investor summits etc.

RATINGS

In 2021, the Group's credit rating by the Moody's and the Standard and Poor's maintained at Baa1 and BBB respectively while maintaining a "stable" outlook. The Group was rated A in the Sustainability Performance Assessment conducted by the Hong Kong Quality Assurance Agency in 2021. (2020: A), and was included in the HKQAA's Advanced Social Responsibility Index for the first time.

APPRECIATION

In 2021, under an external environment with resurgence of pandemic and various risks, the Group embraced the challenges, responded actively, and maintained steady progress. Positive achievement for various tasks and significant improvement of operation and development 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.

Chairman

Deng Renjie

Hong Kong, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

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, benefited 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[Note 1] 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.

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.

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 of a subsidiary and gain on discontinuance of equity accounting for a joint venture.

In general, the Group's ports operation continued to yield stable cash inflow. For the year ended 31 December 2021, the Group's total 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[Note 2] 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.

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

	2021 HK$'million	2020 HK$'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

Note 2 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: (continued)

	2021 HK$'million	2020 HK$'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
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 HK$'million	Notes payable HK$'million	Loans from a fellow subsidiary HK$'million	Loan from immediate holding company HK$'million	Loan from a non-controlling equity holder of a subsidiary HK$'million	Total HK$'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).

CONTINGENT LIABILITIES

Save as disclosed in note 40 (d) to the consolidated financial statements, the Group did not have any other significant contingent liabilities as at 31 December 2021.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this Annual Report, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the period of review.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Save as disclosed in this Annual Report, the Group did not have any other plans for material investments or acquisition of capital assets as at 31 December 2021.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments which constitute 5% or more of its total assets.

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" through 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 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 regional 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.

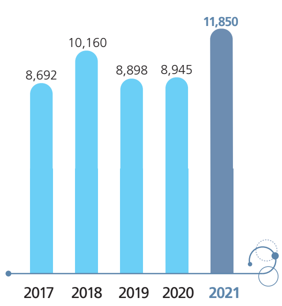
In 2022, due to the COVID-19 pandemic and supply chain disruptions, uncertainties in foreign trade and imports and exports still remain, but the gradual recovery of the global economy is expected to continue to drive demand for maritime transport. China has been driving for a higher level of opening 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.

FIVE-YEAR FINANCIAL SUMMARY

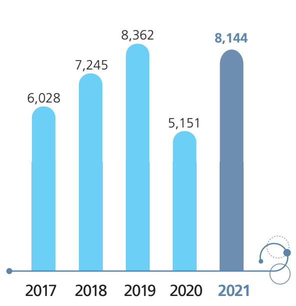
Five-year Financial Summary

	2021 HK$'million	2020 HK$'million	2019 HK$'million	2018 HK$'million	2017 HK$'million
RESULTS					
Revenue	**11,850**	8,945	8,898	10,160	8,692
Profit before taxation	**10,626**	7,158	11,756	9,250	7,445
Profit for the year	**9,385**	6,081	9,238	7,955	6,701
Non-controlling interests	**1,014**	878	876	710	673
Profit attributable to equity holders of the Company	**8,144**	5,151	8,362	7,245	6,028
ASSETS AND LIABILITIES					
Non-current assets	**162,974**	152,608	136,572	129,138	118,899
Net current (liabilities)/assets	**(5,473)**	1,864	(3,012)	1,648	(2,477)
Total assets less current liabilities	**157,501**	154,472	133,560	130,786	116,422
Non-current liabilities	**32,703**	40,837	39,426	42,782	26,781
Non-controlling interests	**20,295**	19,509	14,351	12,683	16,194
Capital and reserves attributable to equity holders of the Company	**98,262**	87,889	79,783	75,321	73,447
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**219.87**	146.25	247.84	219.54	183.90
– Diluted (HK cents)	**219.87**	146.25	247.84	219.54	183.90
Dividend per share (HK cents)	**94.00**	69.00	80.00	95.00	216.00

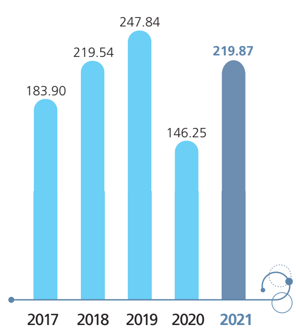
Revenue
HK$' million



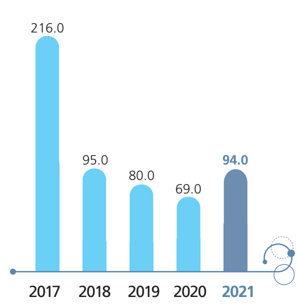
Profit attributable to equity holders of the Company
HK$' million



Earnings per share
HK cents



Dividend per share
HK cents



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The Board of Directors (the "**Board**") of the Company is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2021.

The Board is committed to uphold 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 that were in force as 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 "**HKSE**") 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 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 Committee and Remuneration Committee, 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.

BOARD OF DIRECTORS

The Board of the Company comprises:

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Deng Renjie *(Chairman)*	Male	Chinese	51	1.9
Wang Xiufeng *(Vice Chairman and Chief Executive Officer)* (appointed on 26 August 2021)	Male	Chinese	51	0.4
Liu Weiwu (appointed on 22 March 2021)	Male	Chinese	57	0.8
Deng Weidong (appointed on 28 October 2021)	Male	Chinese	54	0.2
Yim Kong *(Managing Direcotr)* (appointed on 3 November 2021)	Male	Chinese	49	0.2
Wang Zhixian	Male	Chinese	56	5.8
Su Jian (resigned on 22 March 2021)	Male	Chinese	49	3.4
Xiong Xianliang (resigned on 28 October 2021)	Male	Chinese	54	3.4
Bai Jingtao *(Managing Director)* (resigned on 26 August 2021)	Male	Chinese	56	6.2
Ge Lefu (resigned on 26 August 2021)	Male	Chinese	58	2.2
Zheng Shaoping (resigned on 10 August 2021)	Male	Chinese	58	9.5

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Kut Ying Hay	Male	Chinese	66	29.6
Lee Yip Wah Peter	Male	Chinese	79	20.5
Li Ka Fai David	Male	Chinese	66	14.6
Bong Shu Ying Francis	Male	Chinese	79	11.5

During the year, the four Independent Non-executive Directors 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, 8 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 2021	Attendance rate
Deng Renjie	7/8	87.5%
Wang Xiufeng*1	4/4	100%
Liu Weiwu*2	8/8	100%
Deng Weidong*3	2/2	100%
Yim Kong*4	1/1	100%
Wang Zhixian	8/8	100%
Su Jian*5	N/A	N/A
Xiong Xianliang*6	6/6	100%
Bai Jingtao*7	4/4	100%
Ge Lefu*8	4/4	100%
Zheng Shaoping*9	2/3	66.7%
Kut Ying Hay	8/8	100%
Lee Yip Wah Peter	8/8	100%
Li Ka Fai David	8/8	100%
Bong Shu Ying Francis	8/8	100%

*1 Mr. Wang Xiufeng was appointed as Executive Director and Managing Director of the Company on 26 August 2021. He has been redesignated from Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 3 November 2021.

*2 Mr. Liu Weiwu was appointed as Executive Director of the Company on 22 March 2021.

*3 Mr. Deng Weidong was appointed as Executive Director of the Company on 28 October 2021.

*4 Mr. Yim Kong was appointed as Executive Director and Managing Director of the Company on 3 November 2021.

*5 Mr. Su Jian resigned as Executive Director of the Company on 22 March 2021.

*6 Mr. Xiong Xianliang resigned as Executive Director of the Company on 28 October 2021.

*7 Mr. Bai Jingtao resigned as Executive Director and Managing Director of the Company on 26 August 2021.

*8 Mr. Ge Lefu resigned as Executive Director of the Company on 26 August 2021.

*9 Mr. Zheng Shaoping resigned as Executive Director of the Company on 10 August 2021.

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 fourteen 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 three 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
Deng Renjie	A,B,C
Wang Xiufeng*1	A,B,C
Liu Weiwu*2	A,B,C
Deng Weidong*3	A,B,C
Yim Kong*4	A,B,C
Wang Zhixian	A,B,C
Su Jian*5	N/A
Xiong Xianliang*6	N/A
Bai Jingtao*7	N/A
Ge Lefu*8	N/A
Zheng Shaoping*9	N/A
Kut Ying Hay	A,C
Lee Yip Wah Peter	A,C
Li Ka Fai David	A,C
Bong Shu Ying Francis	A,C

A: attended seminars and/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.

*1 Mr. Wang Xiufeng was appointed as Executive Director and Managing Director of the Company on 26 August 2021. He has been redesignated from Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 3 November 2021.

*2 Mr. Liu Weiwu was appointed as Executive Director of the Company on 22 March 2021.

*3 Mr. Deng Weidong was appointed as Executive Director of the Company on 28 October 2021.

*4 Mr. Yim Kong was appointed as Executive Director and Managing Director of the Company on 3 November 2021.

*5 Mr. Su Jian resigned as Executive Director of the Company on 22 March 2021.

*6 Mr. Xiong Xianliang resigned as Executive Director of the Company on 28 October 2021.

*7 Mr. Bai Jingtao resigned as Executive Director and Managing Director of the Company on 26 August 2021.

*8 Mr. Ge Lefu resigned as Executive Director of the Company on 26 August 2021.

*9 Mr. Zheng Shaoping resigned as Executive Director of the Company on 10 August 2021.

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 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 and the Managing Director of the Company is Mr. Yim Kong who was appointed on 3 November 2021. During the year, Mr. Bai Jingtao was the Managing Director of the Company until his resignation on 26 August 2021. Mr. Wang Xiufeng was appointed as Managing Director of the Company on the same day. He was then redesignated from Managing Director to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 3 November 2021.

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 three 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 26 August 2021, the Board resolved to appoint Mr. Wang Xiufeng as an Executive Director and Managing Director of the Company.

At a Board Meeting held on 28 October 2021, the Board resolved to appoint Mr. Deng Weidong as an Executive Director of the Company.

At a Board Meeting held on 3 November 2021, the Board resolved to appoint Mr. Yim Kong as an Executive Director and Managing Director of the Company and the redesignation of Mr. Wang Xiufeng from Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company.

In respect of the appointment of Mr. Wang Xiufeng, Mr. Deng Weidong and Mr. Yim Kong, the Board has taken into consideration, inter alia, their qualification, 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 meetings were held in 2021. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2021	Attendance rate
Kut Ying Hay (Chairman of the Nomination Committee)	5/5	100%
Wang Xiufeng (appointed on 26 August 2021)	3/3	100%
Bai Jingtao (resigned on 26 August 2021)	2/2	100%
Lee Yip Wah Peter	5/5	100%
Li Ka Fai David	5/5	100%
Bong Shu Ying Francis	5/5	100%

During the year, the Nomination Committee 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 made recommendation to the Board on the following appointments:

(i) Mr. Liu Weiwu as Executive Director of the Company to fill the vacancy caused by resignation of Mr. Su Jian on 22 March 2021;

(ii) Mr. Wang Xiufeng as Executive Director and Managing Director of the Company to fill the vacancy caused by resignation of Mr. Bai Jingtao on 26 August 2021;

(iii) Mr. Deng Weidong as Executive Director of the Company to fill the vacancy caused by resignation of Mr. Xiong Xianliang on 28 October 2021;

(iv) Redesignation of Mr. Wang Xiufeng from Managing Director to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 3 November 2021;

(v) Mr. Yim Kong as Executive Director and Managing Director of the Company on 3 November 2021;

(vi) Mr. Tu Xiaoping as the Chief Financial Officer of the Company on 3 November 2021; and

(vii) Mr. Zhang Yiming as Deputy General Manager of the Company on 3 November 2021.

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 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. Deng Renjie, Mr. Lee Yip Wah Peter, Mr. Kut Ying Hay and Mr. Bong Shu Ying Francis shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Wang Xiufeng, Mr. Deng Weidong and Mr. Yim Kong 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 and the Nomination 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. One meeting was held in 2021. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2021	Attendance rate
Li Ka Fai David (Chairman of the Remuneration Committee)	1/1	100%
Wang Xiufeng (appointed on 26 August 2021)	1/1	100%
Bai Jingtao (resigned on 26 August 2021)	N/A	N/A
Kut Ying Hay	1/1	100%
Lee Yip Wah Peter	1/1	100%
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 59 to 60 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 9 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 effective as of 31 December 2021, the annual remuneration of the members of senior management (exclude Directors) by band for the year ended 31 December 2021 is set out in note 10 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 2021, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards 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 71 to 76.

AUDIT COMMITTEE

The Audit Committee comprises all of the four Independent Non-executive Directors.

The Audit Committee meets at least twice a year. Two meetings were held in 2021. The minutes of the Audit Committee meetings were tabled at next Audit Committee meetings for Committee Members to take note and for action where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2021	Attendance rate
Lee Yip Wah Peter (Chairman of the Audit Committee)	2/2	100%
Kut Ying Hay	2/2	100%
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the meetings held in 2021, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2020 and for the six months ended 30 June 2021;

(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 2020;

(v) reviewed and recommended for approval by the Board the 2021 audit scope and fees; and

(vi) reviewed the connected transactions entered into by the Group during 2020.

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, and to review and evaluate the effectiveness of the Company's compliance management policies which enable the Company to achieve its goal in compliance management;

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	9
Non-audit services (Tax, compliance and advisory services)	1
Total	10

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 Operations Department and Business Development Department 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 Innovation Department/Technology and Innovation Development Institute, Operations Department and Risk Management and Internal Audit Department Legal and Compliance 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/Capital Management 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 Operations Department, Marketing and Commercial Department, Safety Supervision Management Department 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 Safety Supervision Management Department, Operations Department and Risk Management and Internal Audit Department Legal and Compliance 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 Risk Management and Internal Audit Department / Legal and Compliance 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 Risk Management and Internal Audit Department / Legal and Compliance 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. Carol Cheng Pui Wai, General Manager of Office of Board of Directors of the Company. The Company Secretary has confirmed that he has taken no less than fifteen 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 ten business days before the extraordinary general meeting and at least twenty business days before the annual general meeting.

At the 2021 annual general meeting held on 1 June 2021 (the "**AGM**"), 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 HKSE.

The attendance of each Director at the general meetings held in 2021 is set out as follows:

Name of Director	Number of general meeting attended in 2021
Deng Renjie	0/1
Wang Xiufeng*[1]	N/A
Liu Weiwu*[2]	0/1
Deng Weidong*[3]	N/A
Yim Kong*[4]	N/A
Wang Zhixian	0/1
Su Jian*[5]	N/A
Xiong Xianliang*[6]	0/1
Bai Jingtao*[7]	0/1
Ge Lefu*[8]	0/1
Zheng Shaoping*[9]	1/1
Kut Ying Hay	0/1
Lee Yip Wah Peter	1/1
Li Ka Fai David	1/1
Bong Shu Ying Francis	1/1

*1 Mr. Wang Xiufeng was appointed as Executive Director and Managing Director of the Company on 26 August 2021. He has been redesignated from Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 3 November 2021.

*2 Mr. Liu Weiwu was appointed as Executive Director of the Company on 22 March 2021.

*3 Mr. Deng Weidong was appointed as Executive Director of the Company on 28 October 2021.

*4 Mr. Yim Kong was appointed as Executive Director and Managing Director of the Company on 3 November 2021.

*5 Mr. Su Jian resigned as Executive Director of the Company on 22 March 2021.

*6 Mr. Xiong Xianliang resigned as Executive Director of the Company on 28 October 2021.

*7 Mr. Bai Jingtao resigned as Executive Director and Managing Director of the Company on 26 August 2021.

*8 Mr. Ge Lefu resigned as Executive Director of the Company on 26 August 2021.

*9 Mr. Zheng Shaoping resigned as Executive Director of the Company on 10 August 2021.

CONSTITUTIONAL DOCUMENTS

During the year, there was 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 and investors may at any time send their enquiries and concerns to the Company 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.: 2851 2173

The 2022 annual general meeting of the Company will be held at 9:30 a.m. on Thursday, 2 June 2022 at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Directors and Senior Management

DIRECTORS

Mr. Deng Renjie

aged 51, 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, he 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., shares of which are listed on the Shenzhen Stock Exchange. He is currently as Deputy Director of the 9th 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 are listed on the Shenzhen Stock Exchange.

He was appointed to the Board 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. Wang Xiufeng

aged 51, is the Vice Chairman of the Board of Directors and Chief Executive Officer of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He is a senior accountant and senior engineer, graduated from Northeast University with a Bachelor's Degree in Industrial Accounting, and obtained Master's Degree in Business Administration from Tsinghua University. He has served as the Chairman of the Board of Directors and General Manager of China Merchants Expressway Network & Technology Holdings Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, the Chief Financial Officer of China Merchants Huajian Expressway Investment Co., Ltd., a Director of Xingyun Digital Clustering (Beijing) Technology Co., Ltd., the Vice Chairman of the Board of Directors of Shandong Expressway Holdings Co., Ltd, shares of which are listed on the Shanghai Stock Exchange, a Director of Henan Zhongyuan Expressway Holdings Co., Ltd, shares of which are listed on the Shanghai Stock Exchange, a Director of Anhui Expressway Company Limited, shares of which are listed on the Shanghai Stock Exchange and the HKSE, the Vice President and a member of Standing Committee of the Party Committee of Metallurgical Corporation of China Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE, the Chairman of Board of Director and Secretary of the Party Committee of MCC Jingtang Construction Co., Ltd., and the General Manager of MCC 22nd Metallurgical Construction Company.

He was appointed to the Board as Executive Director and Managing Director of the Company on 26 August 2021 and was then re-designated as Vice Chairman of the Board and the Chief Executive Officer of the Company on 3 November 2021. He is also a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Liu Weiwu

aged 57, is the General Manager of the Finance Department (Property Rights Department) of China Merchants Group Limited. He graduated from the Economics Department of Xi'an Highway Institute with a Bachelor's Degree in Engineering. He obtained a Master's Degree of Business Administration from Macau University of Science and Technology and then obtained the intermediate accountant qualification. He previously served as the Head of Treasury Division of Financial Department of Guangzhou Ocean Shipping Company, the Manager of Financial Department of Hong Kong Ming Wah Shipping Company Limited, the Deputy General Manager of the Finance Department of China Merchants Group Limited, and the Chief Financial Officer, the Deputy General Manager and the Director of China Merchants Energy Shipping Co., Ltd., shares of which are listed on the Shanghai Stock Exchange. Currently, he is also a Director of China Merchants Port Group Co., Ltd. and China Merchants Expressway Network & Technology Holdings Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, a Non-executive Director of China Merchants Securities Co., Ltd. and Sinotrans Limited, shares of which are listed on the Shanghai Stock Exchange and the HKSE, respectively and an Independent Non-executive Director of AviChina Industry & Technology Company Limited, shares of which are listed on the HKSE.

He was appointed to the Board as Executive Director on 22 March 2021.

Mr. Deng Weidong

aged 54, is currently the General Manager of Strategy and Development Department/Technological Innovation Department of China Merchants Group Limited. He graduated from Nanjing University with a Doctorate Degree in Physical Geography, and then he obtained a Master's Degree in Marine Management from Dalhousie University in Canada. He worked in Administration Bureau of Hainan Yangpu Economic Development Zone, and successively served as the General Manager of Research and Development Department of China Nanshan Development (Group) Inc., the Deputy General Manager of Chiwan Container Terminal Co., Ltd., the General Manager of Shenzhen Mawan Terminals Co., Ltd., the Deputy General Manager of the Company, the General Manager of Capital Operation Department of China Merchants Group Limited, the General Manager of China Merchants Investment Development Company Limited and the Director of China Merchants Property Operation & Service Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He is also currently a Director of each of S.F. Holding Co., Ltd, China Merchants Shekou Industrial Zone Holdings Co., Ltd and China Merchants Energy Shipping Co., Ltd., shares of the above three companies are listed on the Shenzhen Stock Exchange and a Director of China International Marine Containers (Group) Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange and the HKSE and a Director of Sinotrans Limited, shares of which are listed on the HKSE and the Shanghai Stock Exchange.

He was appointed to the Board as Executive Director on 28 October 2021.

Mr. Yim Kong

aged 49, currently serves as the Chief Operational Officer and General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. Having graduated from International Trade at Xiamen University with a Bachelor's Degree in Economics, he went on to complete an MBA program cocreated 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. He served as the Chief Representative of the representative office of China Merchants Group Limited in Central Asia and the Baltic Sea and the General Manager of China-Belarus Industrial Park. He also served as the Deputy General Manager of China Merchants Port Group Co., Ltd, share of which are listed on the Shenzhen Stock Exchange and the Chief Commercial Officer and Deputy General Manager of the Company as well as the Commercial Director, Deputy General Manager, Standing Deputy General Manager and General Manager of Shekou Container Terminals Limited, a subsidiary of the Company, and worked for senior logistics management positions in Neptune Orient Lines (NOL) of Singapore and Swire Group of Hong Kong. He currently serves as Functional Constituency - Commercial (Third) member of the Legislative Council of the Hong Kong Special Administrative Region, a member of the Hong Kong Special Administrative Region of Election Committee and a member of the Logistics Services Advisory Committee of the Hong Kong Trade Development Council. He was a member of the Pilotage Advisory Committee (PAC) of the Hong Kong Marine Department of the Hong Kong Special Administrative Region.

He was appointed to the Board as Executive Director and Managing Director of the Company on 3 November 2021.

Mr. Wang Zhixian

aged 56, joined the Company in July 1992 and is the Executive Director of the Company. He is a Director of certain subsidiaries of the Company. He is also the Chairman of Liaoning Port Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE and the Chief Executive Officer of Liaoning Port Group Limited. He graduated from Tianjin University, Shanghai Jiaotong University with a Master of Science. He obtained a Master's 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, the Deputy General Manager of Shenzhen Mawan Port Services Co., Ltd., the Chairman and Chief Executive Officer of Ningbo Daxie China Merchants International Terminal Co., Ltd., the Managing Director of China Merchants Port Services (Shenzhen) Co., Ltd. and Shenzhen Haixing Harbour Development Co., Ltd., Deputy General Manager of the Company, Chairman of China Nanshan Development (Group) Incorporation 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 HKSE.

He was appointed to the Board Director on 18 February 2016.

Mr. Kut Ying Hay

aged 66, 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 was also appointed by the Ministry of Justice of the PRC as a China Appointed Attesting Officer (now retired). 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 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 79, is a retired solicitor. Following the delisting of shares of SHK Hong Kong Industries Limited and Sinotrans Shipping Limited on 23 April 2021 and 16 January 2019, he ceased to act as Independent Non-executive Directors of SHK Hong Kong Industries Limited and Sinotrans Shipping Limited respectively on 27 April 2021 and 16 January 2019. He was appointed to the Board as Independent Non-executive Director on 20 June 2001. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company.

Mr. Li Ka Fai David

aged 66, is the senior advisor 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 Continental Aerospace Technologies Holding Limited (formerly known as AVIC International Holding (HK) Limited), and an Independent Non-executive Director and Chairman of Audit Committee of Wai Yuen Tong Medicine Holdings Limited, shares of the above six companies are listed on the HKSE. He previously served as an Independent Non-executive Director of CR Construction Group Holdings Limited from October 2019 to June 2021, the shares of which are listed on the HKSE. He was appointed to the Board 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 79, OBE, JP, is currently an Independent Non-executive Director of Cosmopolitan International Holdings Limited, shares of which are listed on the HKSE. 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 as Independent Non-executive Director on 14 July 2010. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

SENIOR MANAGEMENT

Mr. Tu Xiaoping

aged 56, joined the Company in 2021. He held a Bachelor's Degree in Financial Accounting of Water Economics which was granted by the Shanghai Maritime University, and subsequently received a Master's Degree in Investment Management from Zhongnan University of Economics and Law during his employment. Mr. Tu has over 30 years of working experience in the enterprise management and financial management. He served as the General Manager of China Yangtze Shipping Group Co., Ltd., Vice General Manager and Chief Finance Officer of China Merchants Logistics Group Co., Ltd., General Manager of Finance Department of China Merchants Shekou Industrial Zone Co., Ltd. and Vice General Manager and Chief Finance Officer of China Merchants Venture Co. Ltd. before joining the Company.

Mr. Lu Yongxin

aged 52, 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 Assistant 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 49, joined the Company in 2007 and currently serves as Deputy General Manager of the Company. He graduated from Tianjin University with a Bachelor's 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 a number of years' strategic study, operation and management, business innovation, marketing experience in port and logistics industries, and experience in digital transformation. 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., Chairman of China Merchants International Technology Company Limited, Chief Representative of China Merchants Group in Djibouti, Chief Digital Officer of China Merchants Port Group Co., Ltd.

Mr. Zhang Yiming

aged 57, joined the Company in 2021. He graduated from Tianjin University with a Bachelor's Degree in Inorganic Non-metallic Materials Engineering and a Master's Degree in Engineering, and subsequently obtained a Doctorate Degree in Management from System Analysis and Management at Dalian University of Technology. He served as the Chairman of the Board of Directors of Dalian Port Corporation Limited and Dalian Port (PDA) Company Limited (now known as Liaoning Port Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE), the Vice General Manager of Liaoning Port Group Limited and Deputy Director of the Dalian Electric Porcelain Factory. He also was appointed as the Director's Assistant of the Dalian Mechanical & Industrial Department of the Electric Equipment Industrial Management Bureau, the Director's Assistant and Deputy Director of the Dalian Economic and Trade Committee of the Dalian Municipal Government, the Deputy Secretary-General of the People's Government of Dalian Municipality, the Mayor of the Liaoning Pulandian Municipal People's Government, the Deputy Director of the Committee's Management Board of Dalian Puwan New Area, the Director (secretary) of the Dalian Economic and Information Technology Committee (Dalian Municipal Small and Medium Enterprises Bureau).

REPORT OF THE DIRECTORS

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 2021. 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 42 to 44 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 5 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 77.

The Board had declared an interim dividend of 22 HK cents per share, totaling HK$823 million, which was paid on 18 November 2021.

The Directors have resolved to recommend the payment of a final scrip dividend of 72 HK cents per share, totaling 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 the 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 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 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.

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 30 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 30 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 are contained in the "Management Discussion and Analysis" and "Corporate Governance Report" on pages 14 to 30 and pages 33 to 47 of this Annual Report respectively. Furthermore, the Group recognises environmental protection is of vital importance to the long term development of the Group. The "Environmental, Social and Governance Report" which contained discussion and review on the environmental policies and performance of the Group will be separately published by the end of April. For details, please refer to the Company's website.

PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries of the Company are set out from pages 196 to 200 of this Annual Report.

CHARITABLE DONATIONS

Donation of HK$10.00 million was made by the Group during the year (2020: HK$30.00 million).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 31 and 45 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 16 to the consolidated financial statements.

SHARES ISSUED

Details of the movements in the issued shares of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2021 amounted to HK$3,391 million (2020: HK$2,878 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 31 to 32 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 2021 and up to the date of this report were:

Executive Directors:

Mr. Deng Renjie *(Chairman)*
Mr. Wang Xiufeng *(Vice Chairman and Chief Executive Officer)*
(appointed on 26 August 2021)
Mr. Liu Weiwu
(appointed on 22 March 2021)
Mr. Deng Weidong
(appointed on 28 October 2021)
Mr. Yim Kong *(Managing Director)*
(appointed on 3 November 2021)
Mr. Wang Zhixian
Mr. Su Jian
(resigned on 22 March 2021)
Mr. Xiong Xianliang
(resigned on 28 October 2021)
Mr. Bai Jingtao *(Managing Director)*
(resigned on 26 August 2021)
Mr. Ge Lefu
(resigned on 26 August 2021)
Mr. Zheng Shaoping
(resigned on 10 August 2021)

Independent Non-executive Directors:

Mr. Kut Ying Hay
Mr. Lee Yip Wah Peter
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 48 to 53 of this Annual Report.

Mr. Zheng Shaoping resigned as Executive Director of the Company with effect from 10 August 2021 as he need to devote more attention to his other commitments.

Mr. Bai Jingtao resigned as Executive Director and Managing Director of the Company with effect from 26 August 2021 due to change of work arrangement.

Mr. Ge Lefu resigned as Executive Director of the Company with effect from 26 August 2021 due to change of work arrangement.

Mr. Xiong Xianliang resigned as Executive Director of the Company with effect from 28 October 2021 due to change of work arrangement.

Mr. Wang Xiufeng has been redesignated from Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company with effect from 3 November 2021 due to change of work arrangement.

In accordance with Article 89 of the Articles of Association, Mr. Deng Renjie, Mr. Lee Yip Wah Peter, Mr. Kut Ying Hay and Mr. Bong Shu Ying Francis will retire from office by rotation at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election.

In accordance with Article 95 of the Articles of Association, Mr. Wang Xiufeng, Mr. Deng Weidong and Mr. Yim Kong will 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 13 February 2020;

One Executive Director's appointment commenced on 22 March 2021;

One Executive Director's appointment commenced on 26 August 2021;

One Executive Director's appointment commenced on 28 October 2021;

One Executive Director's appointment commenced on 3 November 2021;

One Executive Director's appointment commenced on 18 February 2022;

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 Director of the Company who has also served as directors of the subsidiaries of the Company during the year ended 31 December 2021 and up to the date of this report is Mr. Wang Zhixian.

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 2021, 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 share options granted	Percentage of aggregate long position in shares held to the issued shares as at 31 December 2021
Mr. Yim Kong[1]	Beneficial owner	Personal interest	7,227	—	0.0002%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	259,439	—	0.0069%

Shares and Share Options in the Company's association corporation - China Merchants Port Group Co., Ltd.

Name of Director	Capacity	Nature of interest	Number of shares held in the Company's associated corporation	Number of shares options granted	Percentage of long position in A Class shares held to the issued shares of the Company's associated corporation as at 31 December 2021
Mr. Yim Kong[1]	Beneficial owner	Personal interest	—	170,000[2]	0.0098%
Mr. Wang Zhixian	Beneficial Owner	Personal Interest	—	170,000[2]	0.0098%

Notes:

(1) Mr. Yim Kong was appointed as executive director and managing director of the Company on 3 November 2021.

(2) As at 31 December 2021, the Company is a subsidiary of China Merchants Port Group Co., Ltd. ("**CMPG**") and accordingly, CMPG is an associated corporation of the Company. The interests in CMPG held by each Director are share options granted on 3 February 2020 under an employee incentive scheme of China Merchants Port Group Co., Ltd. (the "**Employee Incentive Scheme**"), which are subject to the terms and conditions of the Employee Incentive Scheme. The share options may be exercised in batches from 3 February 2022 to 3 February 2027 in accordance with the exercise schedule under the Employee Incentive Scheme, conditional upon the satisfaction of certain performance targets specified thereunder. Details of the Employee Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (http://www.szse.cn/). None of these share options were exercised, lapsed or cancelled.

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2021, 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 HKSE.

PENSION SCHEME

Details of the pension scheme, maintained by the Group, contributions made and forfeiture utilised during the year are set out on page 113 to 114 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 HKSE's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKSE'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 commenced on the Adoption Date and ended on 8 December 2021.

As the Share Option Scheme had ended on 8 December 2021, no further share options will be granted under the Share Option Scheme. Also, no share options were outstanding, granted, exercised, lapsed or cancelled during the financial period from 1 January until the end of the Share Option Scheme on 8 December 2021.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the following persons, other than a Director or chief executive of the Company, had 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 or as notified to the Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long Positions

Name of substantial shareholder	Capacity	Shares/underlying Shares held	%
China Merchants Group Limited	Interest of Controlled Corporation	2,486,653,984[1,2,3,4]	65.69%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,460,049,984[2]	64.98%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,460,049,984[2]	64.98%
Broadford Global Limited	Interest of Controlled Corporation	1,627,929,473[2]	43.00%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,627,929,473[2]	43.00%
China Merchants Port Investment Development Company Limited	Interest of Controlled Corporation	1,627,929,473[2]	43.00%
China Merchants Port Group Co., Ltd.	Beneficial Owner	1,627,929,473[2]	43.00%
China Merchants Union (BVI) Limited	Beneficial Owner	832,120,511[2]	21.98%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.08%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.08%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000[3]	0.08%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	23,604,000[4]	0.62%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000[4]	0.62%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000[4]	0.62%
China Merchants Investment Development (Hong Kong) Limited	Beneficial Owner	23,604,000[4]	0.62%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("**CMSN**"), China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("**CMSIZ**") and Sinotrans & CSC Holdings Co., Ltd. ("**Sinotrans CSC**") is a subsidiary of China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 2,486,653,984 shares, which represents the aggregate of 2,460,049,984 shares deemed to be interested by CMSN (see Note 2 below), 3,000,000 shares deemed to be interested by CMSIZ (see Note 3 below) and 23,604,000 shares deemed to be interested by Sinotrans CSC (see Note 4 below).

2. 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**"), which is in turn 50%-owned by CMHK. China Merchants Port Investment Development Company Limited formerly known as "China Merchants Investment Development Company Limited", hereinafter referred to as ("**CMPID**") is in turn wholly-owned by Rainbow. CMPG is 59.75%-owned by CMPID.

   CMSN is deemed to be interested in 2,460,049,984 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 832,120,511 shares beneficially held by CMU and 1,627,929,473 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.

4. China Merchants Investment Development (Hong Kong) Limited formerly known as "Sinotrans Shipping Limited", hereinafter referred to as ("**CMID (HK)**") is 100%-owned by Sinotrans Shipping (Holdings) Limited ("**SSHL**"), which is wholly-owned by Sinomarine Limited ("**Sinomarine**"), which is in turn wholly-owned by Sinotrans CSC. Therefore, each of SSHL, Sinomarine and Sinotrans CSC is deemed to be interested in 23,604,000 shares beneficially held by CMID (HK).

5. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited ("**Pagoda Tree**") on 3 August 2020, 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 801,294,878 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 Annual Report and note 30 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 2021, 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) Details of the continuing connected transactions of the Group for the year ended 31 December 2021 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
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	(i)	(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	(ii)	96*
Sinotrans & CSC Group	Provision of agency services charged to the Group	(ii)	(15.4)*
CMPG and its subsidiaries (the "**CMPG Group**")	Provision of port and port-related services charged by the Group	(iii)	32.14*
CMPG Group	Provision of port and freight forwarding services charged to the Group	(iii)	(26.19)*
China Merchants Group Finance Company Limited (招商局集團財務有限公司) ("**China Merchants Finance**")	Placing of deposits	(iv)	2,100**
China Merchants Finance	Provision of clearing and settlement services charged to the Group	(iv)	(10)
China Merchants Finance	Provision of foreign exchange clearance and settlement services charged to the Group	(iv)	(10)
China Merchants Finance	Provision of other financial services charged to the Group	(iv)	(10)
China Merchants International Technology Company Limited (formerly known as "China Merchants Holdings (International) Information Technology Company Limited") ("**CMIT**")	Provision of technology consulting services charged to the Group	(v)	(214.29)*
CMPG Group	Provision of information services charged by the Group	(vi)	130.95*#

Name of party	Nature of transaction	Note	Annual Cap HK$' million
China Merchants Commercial Property Investment Shenzhen Co., Ltd ("**SCMPI**")	Provision of property management services charged to the Group	(vii)	(10.9)*
CMIT	Development of the Haixing IT System charged to the Group	(viii)	(43.41)*
Yiu Lian Dockyards (Shekou) Limited (友聯船廠 (蛇口) 有限公司) (**"Yiu Lian Shekou**"), Chiwan Container Terminal Co., Ltd. (赤灣集裝箱碼頭有限公司) ("**Chiwan Container Terminal**"), China Merchants Bonded Logistics Co., Ltd. (招商局保稅物流有限公司) ("**China Merchants Bonded Logistics**"), CMIT, Shenzhen Chiwan Port Development Co., Ltd. (深圳赤灣港口發展有限公司) ("**Chiwan Port**"), Shenzhen West Port Security Service Co., Ltd. (深圳西部港口保安服務有限公司) ("**Shenzhen West Port Security**") and CMPG	Rental income from the leasing of residential housing received by the Group	(ix)	10.82*
Shenzhen Haixing Port Development Company Limited* (深圳海星港口發展有限公司) ("**Haixing**")	Provision of technology services for Mawan Smart Port charged by the Group	(x)	13.18*
Chiwan Container Terminal, Shenzhen Chiwan Port Container Co., Ltd* (深圳赤灣港集裝箱有限公司 ("**Chiwan Port Container**") and Mawan Port Storage Company Limited* (深圳媽港倉碼有限公司) ("**Mawan Port**")	Provision of technology services for Mawan Smart Port charged to the Group	(x)	(18.28)*

* 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 2021.

\# This figure represents the cap for the amount receivable by CMIT under the 2021 CMPG IT Services Framework Agreement for the year ended 31 December 2021. As at 17 December 2020, CMIT was held by the Company and CMPG as to 76.84% and 23.16%, respectively. Accordingly, CMIT was a connected subsidiary of the Company under the Listing Rules. However, upon the completion of the equity subscription and capital injection agreement dated 18 December 2020 (the "**Equity Subscription and Capital Injection Agreement**"), CMIT has ceased to be a subsidiary of the Company since 9 February 2021.

Notes:

(i) On 17 December 2020, the Directors approved a ship berthing services agreement entered into between China Merchants Container Services Limited ("**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 commenced on 1 January 2021 and ended on 31 December 2021 at a rate of 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 "**2021 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 2021 Ship Berthing Services Agreement for the year ended 31 December 2021 at HK$14.5 million. 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 2021 was HK$8.8 million. On 24 December 2021, in view of the expiry of the 2021 Ship Berthing Services Agreement on 31 December 2021, CMCS and Yiu Lian entered into a new ship berthing services agreement for a term of one year commenced on 1 January 2022 and ending on 31 December 2022 (the "**2022 Ship Berthing Services Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate ship berthing fees payable under the 2022 Ship Berthing Services Agreement for the year ending 31 December 2022 at HK$11 million. 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.

(ii) On 17 December 2018, the Company and Sinotrans & CSC entered into a comprehensive services framework agreement (the "**2019 Sinotrans 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 Sinotrans Services Framework Agreement is for a term of three years commenced on 1 January 2019 and ended 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 Sinotrans 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 Sinotrans 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 ended 31 December 2019, 2020 and 2021 as RMB50 million (equivalent to approximately HK$56.8 million), RMB65 million (equivalent to approximately HK$73.9 million) and RMB84.5 million (equivalent to approximately HK$96 million), 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 ended 31 December 2019, 2020 and 2021 as RMB8 million (equivalent to approximately HK$9.1 million), RMB10.4 million (equivalent to approximately HK$11.8 million) and RMB13.52 million (equivalent to approximately HK$15.4 million), 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 2021 was RMB56.4 million (equivalent to approximately HK$68 million) and RMB5.7 million (equivalent to approximately HK$6.8 million), respectively. On 24 December 2021, in view of the expiry of the 2019 Sinotrans Services Framework Agreement on 31 December 2021, Sinotrans & CSC and the Company entered into a new comprehensive services framework agreement (the "**2022 Sinotrans Services Framework Agreement**") for a term of three years commencing on 1 January 2022 and ending on 31 December 2024. The Directors resolved to set the annual caps 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 2022, 2023 and 2024 under the 2022 Sinotrans Services Framework Agreement as RMB26 million (equivalent to approximately HK$31.71 million), RMB34 million (equivalent to approximately HK$41.46 million) and RMB45 million (equivalent to approximately HK$54.88 million). Sinotrans & CSC is a wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(iii) On 17 December 2020, CMPG and the Company entered into a service framework agreement (the "**2021 CMPG Services Framework Agreement**") for a term of one year commenced on 1 January 2021 and ended on 31 December 2021. Pursuant to the 2021 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 2021 as RMB27 million (equivalent to approximately HK$32.14 million) 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 2021 as RMB22 million (equivalent to approximately HK$26.19 million). The aggregate service fees for the provision of port and port-related services received and receivable by the Group from CMPG Group and the service fees for port and freight forwarding services paid and payable by the Group to CMPG Group for the year ended 31 December 2021 was RMB17.6 million (equivalent to approximately HK$21.2 million) and RMB18 million (equivalent to approximately HK$21.7

million), respectively. On 24 December 2021, in view of the expiry of the 2021 CMPG Services Framework Agreement on 31 December 2021, CMPG and the Company entered into a new services framework agreement (the "**2022 CMPG Services Framework Agreement**") for a term of two years commencing on 1 January 2022 and ending on 31 December 2023. The resolved to set the annual caps in respect of the service fees for the provision of port and port-related services receivable by the Group from CMPG Group as RMB17 million (equivalent to approximately HK$20.73 million) and RMB23 million (equivalent to approximately HK$28.05 million) for the year ending 31 December 2022 and for the year ending 31 December 2023, respectively, and the annual caps in respect of the service fees for port and freight forwarding services payable by the Group to CMPG Group as RMB10 million (equivalent to approximately HK$12.2 million) and RMB13 million (equivalent to approximately HK$15.85 million) for the year ending 31 December 2022 and for the year ending 31 December 2023, respectively. CMPG is a substantial shareholder of the Company, and accordingly, CMPG is a connected person of the Company.

(iv) On 19 December 2019, the Company and China Merchants Finance entered into a financial services agreement (the "**2020 Financial Services Agreement**") for a term of three years commenced on 23 December 2019 and ending on 22 December 2022 to set out the framework for future transactions in relation to (i) the depositing of money by the Group with China Merchants Finance; (ii) the provision of clearing and settlement services by China Merchants Finance; (iii) the provision of loans and other credit services by China Merchants Finance; (iv) the provision of foreign exchange clearance and settlement services and (v) the provision of other financial services (including wealth management, securities underwriting and financial consultancy services). 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 million. 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 million, HK$10 million and HK$10 million, respectively. The maximum amount of deposit placed by the Group during the year ended 31 December 2021 was HK$1,843 million. No fee was paid and payable by the Group for the provision of clearing and settlement services, foreign exchange clearance and settlement services and other financial services for the year ended 31 December 2021. China Merchants Finance is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(v) On 17 December 2020, the Company and CMIT entered into a comprehensive services framework agreement (the "**2021 CMIT 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 CMIT to members of the Group for a term of one year commenced on 1 January 2021 and ended on 31 December 2021. On the same day, the Directors resolved to set the annual cap in respect of the service fees payable by the Group to CMIT Group under the 2021 CMIT Comprehensive Services Framework Agreement for the year ended 31 December 2021 at RMB180 million (equivalent to approximately HK$214.29 million). The amount of service fees paid and payable by the Group to CMIT in connection with the services in the year ended 31 December 2021 was RMB156.2 million (equivalent to approximately HK$188.2 million). On 24 December 2021, in view of the expiry of the 2021 CMIT Comprehensive Services Framework Agreement on 31 December 2021, the Company and CMIT entered into a new comprehensive services framework agreement (the "**2022 CMIT Comprehensive Services Framework Agreement**") for a term of one year commenced on 1 January 2022 and ending on 31 December 2022. The Directors resolved to set the following annual cap in respect of the service fees payable by the Group to CMIT for the year ending 31 December 2022 at RMB300 million (equivalent to approximately HK$366 million). CMIT is a subsidiary of CMPG, a substantial shareholder of the Company and accordingly, CMIT is a connected person of the Company.

(vi) On 17 December 2020, CMPG and CMIT entered into a new comprehensive service framework agreement (the "**2021 CMPG IT Services Framework Agreement**") for a term of one year commenced on 1 January 2021 and ended on 31 December 2021 for the provision of information services by CMIT to certain subsidiaries of CMPG. The Directors resolved to set the annual cap in respect of the service fees receivable by CMIT under the 2021 CMPG IT Services Framework Agreement for the year ended 31 December 2021 at RMB110 million (equivalent to approximately HK$130.95 million). Since CMPG is a substantial shareholder of the Company, CMPG is a connected person of the Company. In addition, as at 17 December 2020, CMIT was held by the Company and CMPG as to 76.84% and 23.16%, respectively. Accordingly, CMIT was a connected subsidiary of the Company under the Listing Rules. However, upon the completion of the Equity Subscription and Capital Injection Agreement, CMIT has ceased to be a subsidiary of the Company since 9 February 2021. The amount of service fees paid and payable by the Group to CMIT in connection with the services for the period between 1 January 2021 to 9 February 2021 was RMB3.5 million (equivalent to approximately HK$4.2 million).

(vii) On 9 August 2019, 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 SCMPI entered into a property services agreement (the "**2019 Property Services Agreement**") for a term of three years commenced 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 ended 31 December 2020 and the year ended 31 December 2021 as RMB4.4 million (equivalent to approximately HK$5 million), RMB9.2 million (equivalent to approximately HK$10.5 million), and RMB9.6 million (equivalent to approximately HK$10.9 million), 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 2021 was RMB7.4 million (equivalent to approximately HK$8.9 million). SCMPI is an indirect wholly-owned subsidiary of CMG, and accordingly, a connected person of the Company.

(viii) On 7 July 2020, Haixing and CMIT entered into a framework agreement (the "**Haixing IT System Framework Agreement**") with respect to the development of the Haixing IT System for Haixing under the IT system development agreement dated 19 March 2019 and amended on 30 March 2020 (the "**Haixing IT System Development Agreement**"). According to the Haixing IT System Development Agreement, there are 28 deliverables to be completed by CMIT and the total consideration payable by Haixing to CMIT under the Haixing IT System Development Agreement shall be RMB109.89 million (equivalent to approximately HK$134 million). Pursuant to the Haixing IT System Framework Agreement, Haixing and CMIT may enter into separate agreements to amend the scope of work to be completed and the consideration payable by Haixing to CMIT for the additional work and equipment required from CMIT. The Directors resolved to set the annual cap in respect of the consideration payable by Haixing to CMIT under the Haixing IT System Framework Agreement at RMB94.2 million (equivalent to approximately HK$115 million) and RMB3.6 million (equivalent to approximately HK$4.39 million) for the year ended on 31 December 2020 and 2021, respectively. On 24 December 2021, the Directors resolved to revise the annual cap in respect of the service fees payable by Haixing to CMIT under the Haixing IT System Framework Agreement at RMB35.6 million (equivalent to approximately HK$43.41 million) for the year ended 31 December 2021 and resolved to set an annual cap in respect of the services payable by Haixing to CMIT under the Haixing IT System Framework Agreement at RMB15 million (equivalent to approximately HK$18.29 million) for the year ending 31 December 2022. The amount of service fees paid and payable by the Group to CMIT in connection with the Haixing IT System Framework Agreement in the year ended 31 December 2021 was RMB30.2 million (equivalent to approximately HK$36.4 million). CMIT is a subsidiary of CMPG, a substantial shareholder of the Company and accordingly, CMIT is a connected person of the Company.

(ix) On 30 June 2021, China Merchants Qianhai Bay Property Co., Ltd. (深圳市招商前海灣置業有限公司) ("**Qianhai Bay Property**"), an indirect wholly-owned subsidiary of the Company entered into a series of lease agreements (the "**Qianhai Bay Garden Lease Agreements**") with (i) Yiu Lian Shekou, (ii) Chiwan Container Terminal, (iii) China Merchants Bonded Logistics, (iv) CMIT, (v) Chiwan Port, (vi) Shenzhen West Port Security and (vii) CMPG (together the "**Lessees**") respectively for the period commencing on dates between 1 May 2021 to 1 September 2021 and ending on dates between 30 April 2022 to 31 October 2022 in relation to the leasing of numerous residential units located at Qianhai Bay Garden (前海灣花園), a residential building located in Shenzhen, PRC as housing for the employees of the Lessees. The Directors resolved to set aggregate annual caps in respect of the annual aggregate maximum amount of rental income receivable by the Group under the Qianhai Bay Garden Lease Agreements at RMB9 million (equivalent to approximately HK$10.82 million) and RMB13 million (equivalent to approximately HK$15.63 million) for the year ending 31 December 2021 and 31 December 2022, respectively. The amount of service fees received by the Group under the Qianhai Bay Garden Lease Agreements in the year ended 31 December 2021 was RMB7.6 million (equivalent to approximately HK$9.1 million). Each of Yiu Lian Shekou, Chiwan Container Terminal, CMIT, Chiwan Port and Shenzhen West Port Security is a subsidiary of CMG and therefore each of them is a connected person of the Company. China Merchants Bonded Logistics is a 60%-owned subsidiary of the Company and 40%-owned by CMPG, a substantial shareholder of the Company. Accordingly, China Merchants Bonded Logistics is a connected subsidiary of the Company. CMPG is a substantial shareholder of the Company and therefore a connected person of the Company.

(x) On 24 December 2021, Haixing (a connected subsidiary of the Company) entered into a series of agreements with Shekou Container Terminal (a subsidiary of the Company), Chiwan Container Terminal, Chiwan Port Container and Mawan Port for a term of two years commenced from 1 January 2021 and ending on 31 December 2022 pursuant to which Shekou Container Terminal, Chiwan Container Terminal, Chiwan Port Container and Mawan Port will provide technology services to Haixing for the Mawan Smart Port (together, the "**Mawan Smart Port Technology Services Agreements**"). The Directors resolved to set the annual caps in respect of the service fees receivable by Shekou Container Terminal from Haixing under the respective Mawan Smart Port Technology Services Agreement as RMB10.81 million (equivalent to approximately HK$13.18 million) for the year ended 31 December 2021 and RMB3.6 million (equivalent to approximately HK$4.39 million) for the year ending 31 December 2022. The amount of service fees received by Shekou Container Terminal from Haixing under the respective Mawan Smart Port Technology Services Agreement for the year ended 31 December 2021 was RMB10.2 million (equivalent to approximately HK$12.3 million). The Directors further resolved to set an aggregate annual cap in respect of the annual aggregate service fees payable by Haixing to Chiwan Container Terminal, Chiwan Port Container and Mawan Port under the Mawan Smart Port Technology Services Agreements as RMB14.99 million (equivalent to approximately HK$18.28 million) for the year ended 31 December 2021 and RMB3.85 million (equivalent to approximately HK$4.69 million) for the year ending 31 December 2022. The amount of aggregate service fees paid by Haixing to Chiwan Container Terminal, Chiwan Port Container and Mawan Port under the Mawan Smart Port Technology Services Agreements for the year ended 31 December 2021 was RMB14.2 million (equivalent to approximately HK$17.1 million). Haixing is 67%-owned by the Company and 33%-owned by Sinotrans & CSC, which is in turn wholly-owned by CMG, the ultimate holding company of the Company and therefore is a connected subsidiary of the Company. Each of Chiwan Container Terminal, Chiwan Port Container and Mawan Port is a subsidiary of CMPG, a substantial shareholder of the Company, and therefore each of the Chiwan Container Terminal, Chiwan Port Container and Mawan Port is a connected person of the Company.

(b) The Independent Non-executive Directors have reviewed the continuing connected transactions set out in paragraph (a) 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 provision of ship berthing services by Yiu Lian to CMCS, details of which are set out in note (i) to paragraph (a) of this section, the aggregate ship berthing service fees paid has not exceed HK$14.5 million, the annual cap for the year ended 31 December 2021;

(ii) in respect of the provision of port-related services to, and the receipt of agency services from, members of the Sinotrans & CSC group, details of which are set out in note (ii) to paragraph (a) of this section, the aggregate service fees received for the year ended 31 December 2021 have not exceeded RMB84.5 million, the aggregate annual cap for the services fees for the year ended 31 December 2021 and the aggregate agency fees paid for the year ended 31 December 2021 have not exceeded RMB13.52 million, the aggregate annual cap for the agency fees for the year ended 31 December 2021;

(iii) in respect of the provision of port and port-related services to, and the receipt of port and freight forwarding services from, the CMPG Group, details of which are set out in note (iii) to paragraph (a) of this section, the aggregate service fees for the provision of port and port-related services received by the Group from CMPG Group for the year ended 31 December 2021 have not exceeded RMB27 million, the aggregate annual cap for the services fees for the year ended 31 December 2021 and the aggregate service fees for port and freight forwarding services paid by the Group to CMPG Group for the year ended 31 December 2021 have not exceeded RMB22 million, the aggregate annual cap for the services fees for the year ended 31 December 2021;

(iv) in respect of the placing of deposits with China Merchants Finance, details of which are set out in note (iv) to paragraph (a) of this section, the maximum amount of deposit that was made by the Group with China Merchants Finance during the year ended 31 December 2021 did not exceed HK$2,100 million, the relevant cap for the year ended 31 December 2021; in respect of the aggregate fees paid by the Group for the provision of clearing and settlement services, the provision of foreign exchange clearance and settlement services and the provision of other financial services, details of which are set out in note (iv) to paragraph (a) of this section, the aggregate fees paid by the Group for the year ended 31 December 2021 did not exceed HK$10 million, HK$10 million and HK$10 million, respectively, the relevant caps as for the year ended 31 December 2021;

(v) in respect of the technology consulting services provided by CMIT, details of which are set out in note (v) to paragraph (a) of this section, the amount of service fees paid by the Group to CMIT for the year ended 31 December 2021 did not exceed RMB180 million, the annual cap for service fees as revised for the year ended 31 December 2021;

(vi) in respect of the technology consulting services provided by CMIT to subsidiaries of CMPG, details of which are set out in note (vi) to paragraph (a) of this section, the amount of service fees received by the Group from CMPG for the period between 1 January 2021 to 9 February 2021 did not exceed RMB110 million, the annual cap for service fees for the year ended 31 December 2021;

(vii) in respect of the property management services provided by SCMPI, details of which are set out in note (vii) to paragraph (a) of this section, the amount of service fees paid by the Group to SCMPI for the service period in the year ended 31 December 2021 did not exceed RMB9.6 million, the annual cap for the service fees for the year ended 31 December 2021;

(viii) in respect of the services provided by CMIT to Haixing in relation to the Haixing IT System Framework Agreement, details of which are set out in note (viii) to paragraph (a) of this section, the amount of service fees paid by the Group to CMIT for the year ended 31 December 2021 did not exceed RMB35.6 million, the annual cap for service fees for the year ended 31 December 2021;

(ix) in respect of the leasing of residential units under the Qianhai Bay Garden Lease Agreements, details of which are set out in note (ix) to paragraph (a) of this section, the aggregate amount of rental income received by the Group from the Lessees for the year ended 31 December 2021 did not exceed RMB9 million, the annual cap for the aggregate rental income for the year ended 31 December 2021; and

(x) in respect of the technology services provided by Shekou Container Terminal to Haixing, details of which are set out in note (x) to paragraph (a) of this section, the amount of service fees paid by Haixing to the Group for the year ended 31 December 2021 have not exceeded RMB10.81 million, the aggregate annual cap for the services fees for the year ended 31 December 2021; in respect of the technology services provided by Chiwan Container Terminal, Chiwan Port Container and Mawan Port to Haixing, details of which are set out in note (x) to paragraph (a) of this section, the amount of service fees paid by the Group to Chiwan Container Terminal, Chiwan Port Container and Mawan Port for the year ended 31 December 2021 have not exceeded RMB14.99 million, the aggregate annual cap for the services fees for the year ended 31 December 2021.

The Company has followed the pricing terms and policies set out in respect of each of the continuing connected transaction listed in paragraph (a) of this section. Save as disclosed above and in the section headed "Related Party Transactions" in note 41 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 (a) of this section in pages 63 to 67 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 HKSE.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the "Connected Transactions" in this annual report, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

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 revenue from sales attributable to the Group's largest customer represented 14.7% of the Group's total revenue in 2021.

The aggregate amount of revenue from sales attributable to the Group's five largest customers combined represented 32.2% of the Group's total revenue in 2021.

The aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases in 2021.

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 30 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, 30 March 2022

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 77 to 205, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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	
We identified the accounting for the Group's interests in associates 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 whose principal activities include ports and other relevant operations as set out in note 43 to the consolidated financial statements. The Group's share of profits of associates for the year ended 31 December 2021 was HK$7,103 million, representing approximately 76% 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 were HK$75,209 million as at 31 December 2021, representing approximately 60% 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 included: • Obtaining an understanding of the associates by reading those financial information collected by the Group from its associates 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 the 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 the associates to discuss their assessment of risks and identification of areas of audit focus to evaluate the appropriateness of its planned work procedures; • Discussing with the respective auditors on their findings from the execution of their planned work procedures and the conclusion from their completion of audit; and • Evaluating the appropriateness of significant consolidation adjustments made by the management of the Group to conform the accounting policies of the associates to those of the Group for like transactions and events in similar circumstances.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill attributable to ports operation in Mega Shekou Container Terminals Limited ("MSCT") and TCP Participações S.A. ("TCP")	
We identified the impairment assessment of goodwill attributable to the Group's ports operation in MSCT and TCP as a key audit matter due to the involvement of significant management judgement and assumptions in this assessment. As disclosed in note 15(b) to the consolidated financial statements, the carrying amount of goodwill attributable to the Group's ports operation amounted to HK$5,641 million as at 31 December 2021, among which HK$5,127 million is attributable to MSCT and TCP. For the purpose of assessing impairment, the recoverable amounts of the cash-generating units of the Group's port operations in MSCT and TCP have 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 input parameters include growth rates and discount rates. Based on the management's assessment, there is no impairment of goodwill attributable to any of the Group's ports operation in MSCT and TCP as at 31 December 2021 based on the calculations of value in use.	Our procedures in relation to the impairment assessment of goodwill of the Group's ports operation in MSCT and TCP included: • Understanding the Group's impairment testing process, assumptions used and the extent of involvement of a valuer; • Evaluating the historical accuracy and reasonableness of financial budgets by checking to current year financial information; • Evaluating the reasonableness of the management's estimate of growth rates in determining the value in use with reference to the historical performance, the latest budgets of the Group and relevant market data; • Working with our internal valuation specialists to assess the appropriateness of basis of calculation of the value in use prepared by the management, including the reasonableness of the discount rates and terminal growth rate with reference to the current market risk-free rate of interest, national specific risk factor and the industry specific risk factor; • Checking the mathematical accuracy of the value in use calculation of the recoverable amount of the cash-generating units of the Group's ports operation in MSCT and TCP prepared by the management; and • Evaluating the disclosure of the impairment assessment of goodwill attributable to the Group's ports operation.

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.

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

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.

- 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.

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

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, actions taken to eliminate threats or safeguards applied.

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 Woo King Wa.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 HK$'million	2020 HK$'million
Revenue	4	**11,850**	8,945
Cost of sales		**(6,493)**	(5,201)
Gross profit		**5,357**	3,744
Other income and other gains, net	7	**981**	1,852
Administrative expenses		**(1,551)**	(1,371)
Finance income	11	**400**	298
Finance costs	11	**(1,815)**	(1,822)
Finance costs, net	11	**(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	12	**(1,241)**	(1,077)
Profit for the year	6	**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
Earnings per share for profit attributable to equity holders of the Company	14		
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 HK$'million	2020 HK$'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 HK$'million	2020 HK$'million
ASSETS			
Non-current assets			
Goodwill	15	5,641	5,759
Intangible assets	15	8,607	9,369
Property, plant and equipment	16	26,846	26,509
Right-of-use assets	17	17,650	16,553
Investment properties	18	9,034	8,918
Interests in associates	20	75,209	67,426
Interests in joint ventures	21	8,874	9,091
Other financial assets	22	10,516	7,258
Other non-current assets	23	203	1,305
Deferred tax assets	35	394	420
		162,974	152,608
Current assets			
Inventories	24	166	179
Other financial assets	22	3,016	81
Debtors, deposits and prepayments	25	2,134	5,493
Taxation recoverable		3	8
Cash and bank balances	26	9,980	11,290
		15,299	17,051
Non-current assets held for sale	27	417	405
		15,716	17,456
Total assets		178,690	170,064

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK$'million	2020 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	28	44,017	42,521
Reserves		51,519	43,501
Proposed dividend	13	2,726	1,867
		98,262	87,889
Perpetual capital securities	29	6,241	6,237
Non-controlling interests	19(d)	20,295	19,509
Total equity		124,798	113,635
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	32	22,231	30,240
Lease liabilities	33	886	886
Other non-current liabilities	34	4,735	5,229
Deferred tax liabilities	35	4,851	4,482
		32,703	40,837
Current liabilities			
Creditors and accruals	36	4,304	4,152
Bank and other borrowings	32	14,551	8,952
Lease liabilities	33	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

The consolidated financial statements on pages 77 to 205 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Wang Xiufeng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 31)	Retained earnings HK$'million	Total HK$'million	HK$'million (note 29)	HK$'million	HK$'million
As at 1 January 2021		42,521	4,922	40,446	87,889	6,237	19,509	113,635
COMPREHENSIVE INCOME								
Profit for the year		—	—	8,144	8,144	227	1,014	9,385
Other comprehensive income								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	2,595	—	2,595	—	95	2,690
Release of reserves upon deemed disposal of a subsidiary	20	—	(10)	7	(3)	—	—	(3)
Release of reserves upon deemed disposal of partial interest in associates	20	—	(62)	27	(35)	—	—	(35)
Surplus on revaluation of an owner occupied property upon change of use to investment property		—	61	—	61	—	—	61
Share of other reserves of associates and a joint venture		—	361	—	361	—	—	361
Net actuarial loss on defined benefit plans of subsidiaries		—	—	(21)	(21)	—	(15)	(36)
Share of net actuarial loss on defined benefit plans of associates		—	—	(1)	(1)	—	—	(1)
Total other comprehensive income for the year, net of tax		—	2,945	12	2,957	—	80	3,037
Total comprehensive income for the year		—	2,945	8,156	11,101	227	1,094	12,422
TRANSACTIONS WITH OWNERS								
Issue of shares in lieu of dividends	28	1,496	—	—	1,496	—	—	1,496
Transfer to statutory reserve		—	99	(99)	—	—	—	—
Deemed disposal of a subsidiary	20	—	—	—	—	—	(25)	(25)
Contribution from immediate holding company		—	20	—	20	—	—	20
Reversal of contribution from immediate holding company		—	(22)	—	(22)	—	—	(22)
Share of other changes in equity attributable to equity holders of associates		—	468	—	468	—	—	468
Distribution to holders of perpetual capital securities		—	—	—	—	(223)	—	(223)
Dividends		—	—	(2,690)	(2,690)	—	(283)	(2,973)
Total transactions with owners for the year		1,496	565	(2,789)	(728)	(223)	(308)	(1,259)
As at 31 December 2021		44,017	8,432	45,813	98,262	6,241	20,295	124,798

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 31)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million	HK$'million
As at 1 January 2020		40,614	1,017	38,152	79,783	—	14,351	94,134
COMPREHENSIVE INCOME								
Profit for the year		—	—	5,151	5,151	52	878	6,081
Other comprehensive income/(expense)								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	3,934	—	3,934	—	473	4,407
Release of reserves upon obtaining control of a non-wholly owned subsidiary	39	—	(87)	—	(87)	—	—	(87)
Share of other reserves of associates and a joint venture		—	12	—	12	—	—	12
Net actuarial gain on defined benefit plans of subsidiaries		—	—	17	17	—	12	29
Share of net actuarial loss on defined benefit plans of associates		—	—	(35)	(35)	—	—	(35)
Total other comprehensive income/(expense) for the year, net of tax		—	3,859	(18)	3,841	—	485	4,326
Total comprehensive income for the year		—	3,859	5,133	8,992	52	1,363	10,407
TRANSACTIONS WITH OWNERS								
Issue of shares in lieu of dividends	28	1,907	—	—	1,907	—	—	1,907
Issue of perpetual capital securities	29	—	—	—	—	6,185	—	6,185
Transfer to statutory reserve		—	348	(348)	—	—	—	—
Acquisition of additional interests in subsidiaries	19(b)	—	(588)	(3)	(591)	—	591	—
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	19(c)	—	296	77	373	—	1,704	2,077
Obtaining control of a non-wholly owned subsidiary	39	—	(84)	84	—	—	2,171	2,171
Contribution from immediate holding company		—	17	—	17	—	—	17
Share of other changes in equity attributable to equity holders of associates		—	57	—	57	—	—	57
Dividends		—	—	(2,649)	(2,649)	—	(671)	(3,320)
Total transactions with owners for the year		1,907	46	(2,839)	(886)	6,185	3,795	9,094
As at 31 December 2020		42,521	4,922	40,446	87,889	6,237	19,509	113,635

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'million	2020 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	38(a)	6,551	4,536
Hong Kong Profits Tax paid		(2)	(5)
PRC corporate income tax paid		(652)	(313)
Overseas Profits Tax paid		(310)	(4)
Withholding tax paid on dividends received		(149)	(154)
Dividends received from associates and joint ventures		3,347	1,762
Net cash generated from operating activities		8,785	5,822
Cash flows used in investing activities			
Deemed disposal of a subsidiary	20	(38)	—
Repayment from associates		39	37
Proceeds from an associate		102	209
Interest income received		307	252
Investments in associates and joint ventures		(1)	(4)
Purchase of property, plant and equipment and port operating rights		(1,834)	(1,789)
Placement of other deposits and structured deposits		(9,678)	(5,138)
Proceeds from withdrawal of other deposits and structured deposits		6,938	5,951
Capital contribution to an associate	20	—	(3,055)
Loans to associates	20	—	(3,303)
Cash and bank balances acquired through obtaining control of a non-wholly owned subsidiary	39	—	367
Proceeds from disposal of property, plant and equipment		23	25
Compensation received for resumption of land parcels at Shantou		60	180
Proceeds from share reduction in registered capital of an associate		—	105
Net cash used in investing activities		(4,082)	(6,163)
Net cash inflow/(outflow) before financing activities carried forward		4,703	(341)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'million	2020 HK$'million
Net cash inflow/(outflow) before financing activities brought forward		**4,703**	(341)
Cash flows (used in)/from financing activities			
Proceeds from bank loans		**5,906**	18,976
Advance from an associate		**200**	—
Loans from fellow subsidiaries		**368**	224
Loan from immediate holding company		**299**	491
Repayment of bank loans		**(8,768)**	(17,019)
Interests paid		**(1,522)**	(1,782)
Dividends paid to ordinary shareholders		**(1,194)**	(742)
Dividends paid to non-controlling equity holders of subsidiaries		**(386)**	(687)
Distribution paid to holders of perpetual capital securities		**(223)**	—
Repayment of advance from an associate		**(145)**	—
Repayment of loans from fellow subsidiaries		**(376)**	(828)
Repayment of notes payable		**(185)**	(1,551)
Repayment of lease liabilities		**(103)**	(134)
Acquisition of additional interests in subsidiaries	19(b)	**—**	(835)
Proceeds from disposal of partial interests in subsidiaries	19(c)	**—**	2,077
Net proceeds on issue of perpetual capital securities	29	**—**	6,185
Net cash (used in)/generated from financing activities		**(6,129)**	4,375
(Decrease)/increase in cash and cash equivalents		**(1,426)**	4,034
Cash and cash equivalents at 1 January		**11,217**	6,939
Effect of foreign exchange rate changes		**183**	244
Cash and cash equivalents at 31 December,represented by cash and bank balances		**9,974**	11,217

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021, 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 43.18% 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 21.98% 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 65.16% 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 41.61% 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 65.86% 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.

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is the Company's functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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 ("FVTOCI") and financial liabilities at FVTPL which are carried at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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" ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("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 are 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 3.

(i) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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 these consolidated financial statements.

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 on 1 January 2021 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practise Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020	1 January 2022

Note: Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

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

All 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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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 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 to fair value at subsequent reporting dates, 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.

When a 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 net assets attributable to non-controlling interests 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) Asset acquisitions

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) Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(d) 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.

(e) 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(ii) Associates and joint ventures (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(ii) *Associates and joint ventures (continued)*

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.

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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(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 leasehold land and buildings, harbour works, buildings and dockyard, plant, machinery, furniture and equipment, vessels and ships, motor vehicles and leasehold improvements. All property, plant and equipment other than assets under construction are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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" 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land 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	Shorter of remaining lease term of 50 years or useful life
Buildings	Shorter of the lease term or 30 years
Harbour works, buildings and dockyard	8 to 50 years
Plant and machinery	3 to 20 years
Furniture and equipment	3 to 20 years
Vessels and ships	10 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.

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 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. Investment properties also include leased properties which are being recognised as right-of-use assets 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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties (continued)

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.

2.7 Goodwill and intangible assets

(i) Goodwill

Goodwill arising on the acquisition of a business represents the excess of the aggregate of the consideration transferred and the fair value of net assets attributable to non-controlling interest (see the accounting policy above) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Goodwill and intangible assets (continued)

(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.

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.

2.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

Property, plant and equipment, right-of-use assets 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. Property, plant and equipment, right-of-use assets and intangible assets other than goodwill that suffered from an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(i) Classification (continued)

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 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.

(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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(ii) Recognition and measurement (continued)

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.

(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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assessment 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Significant increase in credit risk (continued)

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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and 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 ECL is 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.

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 and other debtors are assessed as a separate group. Amounts due from/advances to immediate holding company/fellow subsidiaries/associates/joint ventures, compensation receivable from Shantou Land Reserve Centre ("SLRC") 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement and recognition of ECL (continued)

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 all estimated costs of completion and costs necessary to make the sale.

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.

2.14 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 and other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are shown in equity as a deduction, net of tax, from the proceeds.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

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
- 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 liabilities including bank and other borrowings and creditors and accruals are subsequently measured at amortised cost, using the effective interest method.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities and equity (continued)

Derecognition/modification 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.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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.

2.17 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(ii) Deferred tax (continued)

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.

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(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.

(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 all similar 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as contingent liability of the Group and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

2.22 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 Group performs; 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers (continued)

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.

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.

2.23 Leases

(i) Definition of a lease

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(ii) The Group as a lessee

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, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(ii) The Group as a lessee (continued)

Right-of-use assets (continued)

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. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

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)

2.23 Leases (continued)

(ii) The Group as a lessee (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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(iii) The Group as a lessor (continued)

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

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. 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.

2.24 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.

2.25 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 related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and other gains, net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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.

2.27 Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

3. 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.

3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), 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/registered 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 notes 39 and 42.

3.2 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, where the key input parameters include future growth rates and discount rates which are determined based on the valuation performed by independent professional valuer. 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 15(b).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

Deferred tax asset

As at 31 December 2021, a deferred tax asset of HK$95 million (2020: HK$145 million) in relation to unused tax losses has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$2,286 million (2020: HK$2,076 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and expected actions by competitors or potential competitors in response to changes in market demands. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write down or write off technically obsolete or non-strategic assets that have been abandoned or sold.

4. 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 HK$'million	2020 HK$'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 (Note)	**221**	172
	11,850	8,945

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$55 million (2020: HK$54 million) during the year ended 31 December 2021.

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.

5. 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 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.

5. SEGMENT INFORMATION (CONTINUED)

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 set out in note 22 and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		Non-current assets	
	2021 HK$'million	2020 HK$'million	**2021 HK$'million**	2020 HK$'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

5. 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 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

5. 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 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

5. 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 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 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
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

5. SEGMENT INFORMATION (CONTINUED)

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

6. PROFIT FOR THE YEAR

	2021 HK$'million	2020 HK$'million
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments) (note 8)	**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

7. OTHER INCOME AND OTHER GAINS, NET

	2021 HK$'million	2020 HK$'million
Gain on modification of contract terms for a concession arrangement (note 34(a))	**944**	—
Net gain on deemed disposal of partial interest in associates (note 20)	**454**	—
Gain/(loss) on disposal of property, plant and equipment	**10**	(120)
Gain on resumption of land parcels at Shantou (Note)	**—**	1,722
Gain on deemed disposal of a subsidiary (note 20)	**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 (note 18)	**21**	149
Net allowance for credit losses of trade debtors and other debtors	**(291)**	(510)
Impairment loss recognised in respect of goodwill (note 15)	**—**	(621)
Gain on discontinuance of equity accounting for a joint venture (note 39)	**—**	960
Net exchange gain	**8**	446
Dividend income from equity investments	**88**	87
Government grants	**268**	190
Others	**67**	58
	981	1,852

Note: 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 SLRC 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.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'million	2020 HK$'million
Wages, salaries and bonus	1,790	1,494
Equity-settled share based payment	(2)	17
Retirement benefit scheme contributions	430	289
	2,218	1,800

9. 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	2021 Total HK$'million	2020 Total HK$'million
Executive Directors:						
Deng Renjie	—	—	—	—	—	—
Su Jian (Note (ii))	—	—	—	—	—	—
Xiong Xianliang (Note (iii))	—	—	—	—	—	—
Bai Jingtao (Note (iv))	—	1.08	0.57	0.27	1.92	3.35
Wang Xiufeng (Note (iv))	—	0.58	0.15	0.07	0.80	N/A
Ge Lefu (Note (v))	—	1.02	0.30	0.20	1.52	2.99
Wang Zhixian	—	1.46	0.67	0.30	2.43	2.75
Zheng Shaoping (Note (vi))	—	0.91	—	0.20	1.11	2.86
Liu Weiwu (Note (ii))	—	—	—	—	—	N/A
Deng Weidong (Note (iii))	—	—	—	—	—	N/A
Yim Kong (Note (vii))	—	0.25	—	—	0.25	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
Total for the year ended 31 December 2021	1.12	5.30	1.69	1.04	9.15	
Total for the year ended 31 December 2020	1.12	6.20	4.22	1.53	13.07	

9. DIRECTORS' EMOLUMENTS (CONTINUED)

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.

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. Su Jian resigned as an executive director of the Company and Mr. Liu Weiwu was appointed as an executive director of the Company on 22 March 2021.

(iii) Mr. Xiong Xianliang resigned as executive director of the Company and Mr. Deng Weidong was appointed as executive director of the Company on 28 October 2021.

(iv) Mr. Bai Jingtao resigned as the Managing Director of the Company and Mr. Wang Xiufeng was appointed as the Managing Director of the Company on 26 August 2021. Mr. Wang Xiufeng has been redesignated from the Managing Director to the Vice Chairman of the Board of Directors of the Company and the Chief Executive Officer of the Company on 3 November 2021.

(v) Mr. Ge Lefu resigned as an executive director of the Company on 26 August 2021.

(vi) Mr. Zheng Shaoping resigned as an executive director of the Company on 10 August 2021.

(vii) Mr. Yim Kong was appointed as the Managing Director of the Company on 3 November 2021.

(viii) 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.

10. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the thirteen (2020: eight) senior management of the Company for the year ended 31 December 2021, six (2020: four) of them are directors of the Company and their remuneration has been disclosed in note 9. The total emoluments of the remaining seven (2020: four) senior management is as follows:

	2021 HK$'million	2020 HK$'million
Salaries, other allowances and benefit-in-kinds	**8**	7
Performance related incentive payments	**3**	5
	11	12

The emoluments fell within the following bands:

	Number of senior management	
	2021	2020
Below HK$1,500,000	**3**	—
HK$1,500,001 - HK$2,000,000	**2**	—
HK$2,000,001 - HK$2,500,000	**2**	1
HK$2,500,001 - HK$3,000,000	—	2
HK$3,000,000 - HK$3,500,000	—	1
	7	4

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2020: three) are directors and three (2020: two) are senior management of the Company whose emoluments are included in notes 9 and 10(a), respectively.

During the years ended 31 December 2021 and 2020, 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 2021 and 2020.

11. FINANCE INCOME AND COSTS

	2021 HK$'million	2020 HK$'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.

12. 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.

12. TAXATION (CONTINUED)

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

	2021 HK$'million	2020 HK$'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 7.

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:

	2021 HK$'million	2020 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	3,372	2,701
Expected tax calculated at the weighted average applicable tax rate	1,034	700
Income not subject to tax	(588)	(560)
Expenses not deductible for tax purposes	293	512
Tax losses and other temporary differences not recognised	65	70
Utilisation of previously unrecognised tax losses	(17)	(11)
Withholding tax on earnings of subsidiaries, associates and joint ventures	454	366
Tax charge	1,241	1,077

The weighted average applicable tax rate was 30.7% (2020: 25.9%).

13. DIVIDENDS

	2021 HK$'million	2020 HK$'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

Details of scrip dividends are set out in note 28.

At a meeting held on 30 March 2022, the Board of Directors proposed a final dividend of 72 HK cents (2020: 51 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.

14. 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.

15. 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 2021				
As at 1 January 2021	**5,759**	**8,974**	**395**	**9,369**
Exchange adjustments	**(118)**	**(498)**	**(18)**	**(516)**
Addition	**—**	**29**	**—**	**29**
Amortisation (Note (a))	**—**	**(275)**	**—**	**(275)**
As at 31 December 2021	**5,641**	**8,230**	**377**	**8,607**
As at 31 December 2021				
Cost	**6,317**	**10,091**	**384**	**10,475**
Accumulated amortisation and impairment	**(676)**	**(1,861)**	**(7)**	**(1,868)**
Net book value	**5,641**	**8,230**	**377**	**8,607**
Year ended 31 December 2020				
As at 1 January 2020	6,931	9,759	485	10,244
Exchange adjustments	(769)	(642)	(90)	(732)
Addition	—	116	—	116
Obtaining control of a non-wholly owned subsidiary (note 39)	218	—	—	—
Amortisation (Note (a))	—	(259)	—	(259)
Impairment loss	(621)	—	—	—
As at 31 December 2020	5,759	8,974	395	9,369
As at 31 December 2020				
Cost	6,380	10,689	402	11,091
Accumulated amortisation and impairment	(621)	(1,715)	(7)	(1,722)
Net book value	5,759	8,974	395	9,369

15. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Amortisation expenses charged for the year are included in cost of sales in the consolidated statement of profit or loss.

(b) Goodwill is allocated to 8 groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2021 HK$'million	2020 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– Pearl River Delta (comprising 5 groups of CGUs)	**2,547**	2,479
– Others (comprising 2 groups of CGUs)	**241**	235
	2,788	2,714
– Brazil	**2,853**	3,045
	5,641	5,759

Included in the ports operation in Pearl River Delta and Brazil as at 31 December 2021 are the goodwill attributable to Mega Shekou Container Terminals Limited and TCP Participações S.A. ("TCP") amounting to HK$2,274 million (2020: HK$2,207 million) and HK$2,853 million (2020: HK$3,045 million), respectively.

In addition to goodwill and intangible assets above, property, plant and equipment and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill and intangible assets are also included in the respective CGU for the purpose of impairment assessment.

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 periods ranging from 5 years to 10 years (2020: 5 years to 10 years) and 27 years (2020: 28 years) for ports operation in Mainland China, Hong Kong and Taiwan and in Brazil, respectively, and discounted by rates specific to the relevant CGUs taking into consideration of the operating period of concession right and development plans. 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. The cash flow projections, growth rates and discount rate have been reassessed as at 31 December 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated below.

The Group engages an independent qualified valuer, Greater China Appraisal Limited, to determine the future growth rates and discount rates used in the value in use calculations prepared by the management of the Group.

15. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(b) (continued)

The key assumptions used for value in use calculations are as follows:

	Growth rate (Note (i))		Discount rate (Note (ii))	
	2021	2020	**2021**	2020
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– Pearl River Delta	**2.24% - 2.36%**	2.70% - 3.00%	**7.43% - 12.86%**	6.50% - 12.74%
– Others	**2.24%**	2.70%	**11.45% - 11.53%**	11.19% - 11.97%
– Brazil	**3.00%**	3.00%	**17.45%**	16.78%

Notes:

(i) Weighted average growth rates are used to extrapolate cash flows beyond the budgeted 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.

In prior year, an impairment loss of goodwill allocated to ports operation in Mainland China amounted to HK$621 million has been recognised.

In addition to impairment testing using the base case assumption, separate sensitivity analyses were performed. The sensitivity analysis using a higher/lower discount rate of 0.3% (2020: 0.3%) indicated that the recoverable amount of ports operation in Mainland China, Hong Kong and Taiwan, and Brazil would have been decreased/increased by approximately HK$662 million (2020: HK$706 million) and HK$290 million (2020: HK$309 million) respectively.

The sensitivity analysis using a higher/lower growth rate of 0.1% (2020: 0.1%) indicated that the recoverable amount of ports operation in Mainland China, Hong Kong and Taiwan, and Brazil would have been increased/decreased by approximately HK$161 million (2020: HK$288 million) and HK$33 million (2020: HK$4 million) respectively.

(c) Included in port operating rights as at 31 December 2021 is an amount of HK$4,097 million (2020: HK$4,517 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.

Included in port operating rights as at 31 December 2021 is also an amount of HK$3,128 million (2020: HK$3,423 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$1,005 million (2020: HK$1,034 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.

(d) Balance mainly represents trademark used in Brazil port operation having an indefinite useful live.

16. 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 2021						
As at 1 January 2021	1,068	15,990	4,925	1,003	3,523	26,509
Exchange adjustments	29	253	16	10	42	350
Additions	2	59	217	39	1,083	1,400
Deemed disposal of a subsidiary	—	—	(8)	(2)	—	(10)
Disposals	—	(9)	(14)	(2)	—	(25)
Transfers	61	1,559	1,303	50	(2,973)	—
Transfers from investment properties	281	—	—	—	—	281
Transfers to investment properties	(13)	—	—	—	—	(13)
Transfers to right-of-use assets	—	—	—	—	(135)	(135)
Depreciation (Note (c))	(56)	(753)	(619)	(83)	—	(1,511)
As at 31 December 2021	1,372	17,099	5,820	1,015	1,540	26,846
As at 31 December 2021						
Cost	1,884	24,475	13,510	1,698	1,540	43,107
Accumulated depreciation and impairment	(512)	(7,376)	(7,690)	(683)	—	(16,261)
Net book value	1,372	17,099	5,820	1,015	1,540	26,846
Year ended 31 December 2020						
As at 1 January 2020	871	12,734	4,398	1,023	4,844	23,870
Exchange adjustments	42	94	93	9	105	343
Additions	1	116	92	22	1,291	1,522
Obtaining control of a non-wholly owned subsidiary	208	2,123	428	4	26	2,789
Disposals	(5)	(220)	(35)	(1)	—	(261)
Transfers	(8)	1,878	397	20	(2,287)	—
Transfers from/(to) right-of-use assets	—	—	116	10	(456)	(330)
Transfers to non-current assets held for sale	—	(128)	—	—	—	(128)
Depreciation (Note (c))	(41)	(607)	(564)	(84)	—	(1,296)
As at 31 December 2020	1,068	15,990	4,925	1,003	3,523	26,509
As at 31 December 2020						
Cost	1,524	22,517	12,018	1,621	3,523	41,203
Accumulated depreciation and impairment	(456)	(6,527)	(7,093)	(618)	—	(14,694)
Net book value	1,068	15,990	4,925	1,003	3,523	26,509

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Included in assets under construction is capitalised interest of HK$18 million (2020: HK$69 million).

(b) Others comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$755 million (2020: HK$749 million), HK$51 million (2020: HK$60 million) and HK$209 million (2020: HK$194 million) respectively as at 31 December 2021.

(c) Depreciation expenses charged for the year are included in the consolidated statement of profit or loss as follows:

	2021 HK$'million	2020 HK$'million
Cost of sales	1,459	1,247
Administrative expenses	52	49
	1,511	1,296

(d) As at 31 December 2021, harbour works, buildings and dockyard and assets under construction with aggregate net book value of HK$356 million (2020: HK$458 million) were pledged as security for the Group's bank borrowings (note 32(a)).

17. 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 31 December 2021						
Carrying amount	10,656	133	6,235	3	623	17,650
As at 31 December 2020						
Carrying amount	9,542	141	6,214	5	651	16,553
For the year ended 31 December 2021						
Depreciation charge	258	11	196	1	34	500
For the year ended 31 December 2020						
Depreciation charge	226	15	183	22	32	478

17. RIGHT-OF-USE ASSETS (CONTINUED)

	2021 HK$'million	2020 HK$'million
Expenses relating to short-term leases	53	54
Total cash outflow for the leases	152	220
Additions to right-of-use assets	1,340	515

Lease terms are negotiated by the Group on an individual basis and contain a wide range of different terms and conditions. The terms are fixed various period, from 12 months to 99 years. 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.

The Group regularly entered into short-term leases mainly for plant, machinery, furniture and equipment. As at 31 December 2021, 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 2021, right-of-use assets with a net book value of HK$230 million (2020: HK$230 million) were pledged as security for the Group's bank borrowings (note 32(a)).

18. INVESTMENT PROPERTIES

The Group leases out various offices, residential and other commercial properties under operating leases with rentals payable monthly. Lease contracts run for an initial period of 1 month 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.

	2021 HK$'million	2020 HK$'million
As at 1 January	8,918	8,246
Exchange adjustments	271	539
Increase in fair value (note 7)	21	149
Additions	2	—
Transfers from right-of-use assets	9	—
Transfers to property, plant and equipment	(281)	—
Transfers from property, plant and equipment	94	—
Transfers to non-current assets held for sale	—	(16)
As at 31 December	9,034	8,918

18. INVESTMENT PROPERTIES (CONTINUED)

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 management of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

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.

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 2.1). The valuation techniques and inputs used of the Group's significant investment properties are set out below.

Description	Valuation techniques	Significant unobservable inputs	Relationship of non-observable inputs to fair value
Commercial and residential complex in Shenzhen, the PRC 2021: HK$3,484 million 2020: HK$3,379 million	Income approach	Monthly market rent, taking into account the growth rate and rent of comparables, at a weighted average of HK$92 (2020: HK$85) per square metre ("sqm") per month.	A significant increase in the monthly market rent would result in a significant increase in the fair value, and vice versa.
		Capitalisation rate, at an average of 6.5% (2020: 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 2021: HK$5,009 million 2020: HK$5,029 million	Market comparison approach	Market unit rate, taking into account the transaction dates, floor areas, locations and conditions of the property, which ranged from HK$87,642 to HK$91,013 (2020: HK$85,029 to HK$88,041) per sqm.	A significant increase in the market unit rate used would result in a significant increase in the fair value, and vice versa.

19. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

Particulars of the Company's principal subsidiaries at 31 December 2021 are set out in note 42.

(b) Exercise of put option issued to non-controlling equity holders of TCP

In February 2020, certain non-controlling equity holders of TCP (together with its subsidiaries, the "TCP Group") (the "Sellers") exercised put option, 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 845,703 shares at a cash consideration.

During the year ended 31 December 2020, the Group made payment amounting to US$107 million (equivalent to approximately HK$835 million) to the Sellers and the Sellers simultaneously completed the transfer of the shares to the Group, free and clear of any liens. The Group's effective interest in TCP increased from 67.45% to 77.45% immediately after the transaction.

(c) Disposal of interests in Gainpro Resources Limited ("Gainpro") without losing control

In June 2020, the Company entered into a share transfer deed, pursuant to which the Company has agreed to disposed of its 23.52941% interest in, and 23.52941% of the shareholder's loan advanced by the Company to, Gainpro (together with its subsidiaries, the "Gainpro Group"), a wholly-owned subsidiary of the Company whose principal asset was its interest in 85% of the issued share capital of Hambantota International Port Group (Private) Limited ("HIPG", together with its subsidiary, the "HIPG Group") to an independent third party, for a total cash consideration of US$268 million (equivalent to approximately HK$2,077 million). The Group's effective interest in HIPG decreased from 85% to 65% after the disposal.

An amount of HK$1,704 million, being the proportionate share of the carrying amount of the net liabilities of the Gainpro Group and the shareholder's loan assigned, had been transferred to non-controlling interests. The difference of HK$373 million between the increase in the non-controlling interests and the consideration received had been credited to relevant reserves.

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

(d) 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 effective ownership interests held by non-controlling interests		Proportion of effective voting rights held by non-controlling interests		Accumulated non-controlling interests	
	2021	2020	**2021**	2020	**2021 HK$'million**	2020 HK$'million
Shantou China Merchants Port Group Co., Ltd. ("SPG")	**40.00%**	40.00%	**40.00%**	40.00%	**4,797**	4,677
Gainpro Group	**35.00%**	35.00%	**35.00%**	35.00%	**4,855**	4,874
Individually immaterial subsidiaries with non-controlling interests					**10,643**	9,958
					20,295	19,509

The summarised financial information of SPG and its subsidiaries (the "SPG Group") and the Gainpro Group is prepared in accordance with the significant accounting policies of the Group.

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

(d) Non-wholly-owned subsidiaries of the Group that have material non-controlling interests (continued)

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 Gainpro Group is set out below:

	2021 SPG Group HK$'million	2021 Gainpro Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	460	262
Other income and other gains	113	1
Expenses and taxation	(593)	(355)
Loss and other comprehensive expense for the year	(20)	(92)
Loss for the year, attributable to:		
Equity holders of the Company	(12)	(44)
Non-controlling interests of the Group	(8)	(48)
	(20)	(92)
Total comprehensive expense for the year, attributable to:		
Equity holders of the Company	(12)	(44)
Non-controlling interests of the Group	(8)	(48)
	(20)	(92)
Dividends paid to non-controlling interests of the Group	—	—
Financial information of the consolidated statement of cash flows		
Net cash (outflow)/inflow from operating activities	(140)	107
Net cash outflow from investing activities	(126)	(43)
Net cash outflow from financing activities	—	(63)
Net cash (outflow)/inflow	(266)	1

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

(d) Non-wholly-owned subsidiaries of the Group that have material non-controlling interests (continued)

	2020	
	SPG Group HK$'million	Gainpro Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	400	205
Other income and other gains	2,411	1
Expenses and taxation	(1,103)	(329)
Profit/(loss) and other comprehensive income/(expense) for the year	1,708	(123)
Profit/(loss) for the year, attributable to:		
Equity holders of the Company	1,025	(64)
Non-controlling interests of the Group	683	(59)
	1,708	(123)
Total comprehensive income/(expense) for the year, attributable to:		
Equity holders of the Company	1,025	(64)
Non-controlling interests of the Group	683	(59)
	1,708	(123)
Dividends paid to non-controlling interests of the Group	—	—
Financial information of the consolidated statement of cash flows		
Net cash inflow from operating activities	23	90
Net cash inflow/(outflow) from investing activities	503	(61)
Net cash (outflow)/inflow from financing activities	(627)	16
Net cash (outflow)/inflow	(101)	45

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

(d) 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 Gainpro Group is set out below:

	2021		2020	
	SPG Group HK$'million	Gainpro Group HK$'million	SPG Group HK$'million	Gainpro Group HK$'million
Non-current assets	9,040	10,358	5,693	10,464
Current assets	4,811	103	8,322	92
Current liabilities	(990)	(101)	(1,447)	(165)
Non-current liabilities	(1,019)	(1)	(1,021)	(1)
	11,842	10,359	11,547	10,390
Equity attributable to:				
Equity holders of the Company	7,045	5,504	6,870	5,516
Non-controlling interests of the Group	4,797	4,855	4,677	4,874
	11,842	10,359	11,547	10,390

(e) 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.

20. INTERESTS IN ASSOCIATES

	2021 HK$'million	2020 HK$'million
Share of net assets of associates, net of impairment:		
Listed associates	38,329	32,155
Unlisted associates	31,531	30,002
	69,860	62,157
Goodwill:		
Listed associates	2,611	2,548
Unlisted associates	2,738	2,721
	5,349	5,269
Total	75,209	67,426
Fair value of the listed associates owned by the Group (Note)	43,556	35,372

Note: The fair value of the listed associates is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

20. INTERESTS IN ASSOCIATES (CONTINUED)

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 account was recognised in profit or loss in prior years. During the year ended 31 December 2021, upon dilution of the Group's equity interest in the listed associate, the proportionated carrying amount of the interest in the listed associate was used in calculating the gain on deemed disposal.

The management of the Group carried out an assessment as at 31 December 2021 and 2020 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 2021 and 2020, no reversal of impairment loss has been recognised.

Deemed disposal of a subsidiary engaged in providing technology solutions

In December 2020, the Company, CMPG and certain relevant parties entered into equity subscription and capital injection agreement (the "Injection Agreement"), pursuant to which the Company and CMPG agreed to waive any pre-emptive rights they might have in subscribing for any equity interests in China Merchants International Technology Company Limited (formerly known as "China Merchants Holdings (International) Information Technology Company Limited", hereinafter referred to as "CMIT"), a non-wholly owned subsidiary of the Company.

During the year ended 31 December 2021, with reference to the Injection Agreement, Dalian Port Container Development Co., Ltd. ("Dalian Port Container"), Dalian Port Jifa Logistics Co., Ltd. ("Dalian Port Jifa") and Yingkou Port Group Co., Ltd. ("Yingkou Port Group"), each a fellow subsidiary of the Group, have made capital contribution to CMIT by way of equity interests in Dalian Port Net Co., Ltd. (49.63%-owned by Dalian Port Container and 29.40%-owned by Dalian Port Jifa) and Yingkou Gangxin Technology Co., Ltd., a wholly-owned subsidiary of Yingkou Port Group. The registered capital of CMIT increased from RMB50 million (equivalent to approximately HK$59 million) to RMB88 million (equivalent to approximately HK$104 million). Accordingly, the Company's equity interest in CMIT was diluted from 76.84% to 43.74%, resulting in a gain on deemed disposal of HK$17 million, and ceased to be a subsidiary of the Company after the capital injection by the new subscribers. Hence, the investment in CMIT is accounted for as an interest in an associate as the directors consider the Group has significant influence over the investee.

Deemed disposal of partial interest in an associate engaged in port operation in Dalian, the PRC

In January 2021, the merger by absorption through share swap (the "Merger") between Liaoning Port Co., Ltd. ("Liaoning Port"), a listed associate of the Group, and a related party and fundraising and connected transactions have been approved by the China Securities Regulatory Commission.

Upon completion of the Merger in February 2021, Liaoning Port's total share capital increased from RMB12,895 million (equivalent to approximately HK$15,322 million) to RMB22,623 million (equivalent to approximately HK$26,881 million). Accordingly, the Group's equity interest in Liaoning Port was diluted from 21.05% to 12%, resulting in a gain on deemed disposal of HK$500 million. The investment in Liaoning Port continues to account for as an interest in an associate as there is no change in the directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Deemed disposal of partial interest in an associate engaged in port operation in Dalian, the PRC (continued)

In November 2021, the additional shares issued ("Private Placement") have been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The additional shares issued are shares with trading moratorium and a lock-up period of 6 months. An additional of 1,363,636,363 shares were issued to the 8 independent third parties. Upon completion of the Private Placement, Liaoning Port's total share capital increased from RMB22,623 million (equivalent to approximately HK$26,881 million) to RMB23,987 million (equivalent to approximately HK$29,167 million). Accordingly, the Group's equity interest in Liaoning Port was diluted from 12% to 11.32%, resulting in a gain on deemed disposal of HK$18 million. The investment in Liaoning Port continues to account for as an interest in an associate as there is no change in directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

Deemed disposal of partial interest in an associate engaged in port operation in Shanghai, the PRC

In July 2021, Shanghai International Port (Group) Co., Ltd. ("SIPG"), a listed associate of the Group, approved a share award scheme to its employees ("SIPG Share Award Scheme"). An additional of 105,005,100 shares have been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The additional shares issued are shares with trading moratorium and a lock-up period ranging from 3 years to 5 years. Upon completion of the SIPG Share Award Scheme, SIPG's total share capital increased from RMB23,174 million (equivalent to approximately HK$28,382 million) to RMB23,279 million (equivalent to approximately HK$28,510 million). Accordingly, the Group's equity interest in SIPG was diluted from 26.77% to 26.64%, resulting in a loss on deemed disposal of HK$64 million. The investment in SIPG continues to account for as an interest in an associate as there is no change in directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

Subscription of Mandatory Convertible Bonds issued by and loan to Terminal Link SAS ("Terminal Link")

In November 2019, the Company entered into a memorandum of agreement with an existing shareholder who indirectly holds 51% of Terminal Link, pursuant to which the Company proposed to subscribe for the mandatory convertible bonds ("Mandatory Convertible Bonds") issued by, and to grant a term loan with a 8-year repayment term and 6% interest rate per annum ("Term Loan") to, Terminal Link 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 of interests in a portfolio of ten terminals owned by the third party and its affiliates ("Proposed Acquisition").

During the year ended 31 December 2020, the initial closing of the Proposed Acquisition with respect to eight of these target terminals was completed. The Group completed the subscription of the corresponding amount of the Mandatory Convertible Bonds and granted the corresponding amount of the Term Loan amounting to US$394 million and US$421 million, respectively (equivalent to approximately HK$3,055 million and HK$3,264 million, respectively). Mandatory Convertible Bonds amounted to HK$3,055 million was accounted for as interests in associates and the Term Loan amounted to HK$3,264 million was accounted for as advance to associates and was included in other financial assets.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's principal associates at 31 December 2021 are set out in note 43.

The Group's material associate at the end of the reporting period includes 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.

(a) Material associate

	SIPG Group	
	2021 HK$'million	2020 HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	**41,312**	29,364
Profit for the year, attributable to equity holders of the associate	**18,531**	9,375
Other comprehensive income for the year, attributable to equity holders of the associate	**1,804**	597
Total comprehensive income for the year, attributable to equity holders of the associate	**20,335**	9,972
Dividends received from the associate by the Group during the year	**959**	1,023
Financial information of consolidated statement of financial position		
Non-current assets	**151,212**	137,009
Current assets	**61,820**	51,779
Current liabilities	**(35,868)**	(26,628)
Non-current liabilities	**(41,710)**	(47,308)
Net assets of the associate	**135,454**	114,852

20. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Material associate (continued)

	SIPG Group	
	2021 HK$'million	2020 HK$'million
Reconciliation to the carrying amounts of interests in the associate:		
Net assets of the associate	**135,454**	114,852
Less: non-controlling interests	**(9,827)**	(10,054)
Net assets attributable to equity holders of the associate	**125,627**	104,798
Proportion of the Group's interests in the associate	**26.64%**	26.77%
Net assets attributable to the Group's interests in the associate	**33,467**	28,054
Goodwill	**2,608**	2,543
Carrying amount of the Group's interests in the associate	**36,075**	30,597
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	**41,629**	33,681

(b) Aggregate of other associates that are not individually material

	2021 HK$'million	2020 HK$'million
The Group's share of:		
Profit for the year	**2,142**	1,607
Other comprehensive income	**393**	112
Total comprehensive income	**2,535**	1,719
Aggregate carrying amount of the Group's interests in these associates	**39,134**	36,829

21. INTERESTS IN JOINT VENTURES

	2021 HK$'million	2020 HK$'million
Share of net assets of joint ventures	**8,874**	9,091

Particulars of the Group's principal joint ventures at 31 December 2021 are set out in note 44.

As at 31 December 2021 and 2020, in the opinion of the directors of the Company, the Group has no individually material joint venture and no individual financial information of individually material joint venture is disclosed. All of the Group's joint ventures are accounted for using equity method in the consolidated financial statements.

Summarised financial information in respect of the aggregate of the Group's joint ventures, each of which is not individually material, is set out below:

	2021 HK$'million	2020 HK$'million
The Group's share of:		
Profit for the year	**151**	340
Other comprehensive (expense)/income	**(12)**	433
Total comprehensive income	**139**	773

22. OTHER FINANCIAL ASSETS

	2021 HK$'million	2020 HK$'million
Financial assets at FVTPL (Note (a))	**5,835**	2,955
Equity instruments at FVTOCI (Note (b))	**32**	31
Advances to associates (Note (c))	**3,376**	3,365
Advance to a joint venture (Note (d))	**992**	988
Compensation receivable from SLRC (note 25(i))	**3,297**	—
	13,532	7,339
Analysed as:		
Non-current	**10,516**	7,258
Current	**3,016**	81
	13,532	7,339

22. OTHER FINANCIAL ASSETS (CONTINUED)

Notes:

(a) Financial assets at FVTPL

	2021 HK$'million	2020 HK$'million
Listed equity investment in Hong Kong	**178**	198
Listed equity investments in Mainland China	**2,763**	2,754
Structured deposits	**2,891**	—
Other unlisted equity investments	**3**	3
	5,835	2,955

(b) Equity instruments at FVTOCI

	2021 HK$'million	2020 HK$'million
Unlisted equity investments in Mainland China	**32**	31

(c) Included in the amount of the Term Loan of US$428 million (equivalent to approximately HK$3,334 million) for the year ended 31 December 2021 is interest-bearing at a rate of 6% per annum and repayable in 2028.

Included in the amount for the remaining balance of an advance to another associate of RMB34 million (equivalent to approximately HK$42 million) for the year ended 31 December 2021 is interest-bearing at a rate of 4.75% per annum and repayable in 2023.

(d) The amount is denominated in Australian dollar, unsecured, interest-bearing at a rate of 0.5% plus the weighted average of the interest rates applicable under certain facilities provided to the joint venture per annum and repayable in 2023.

23. OTHER NON-CURRENT ASSETS

	2021 HK$'million	2020 HK$'million
Prepayments and deposits for purchase of other non-current assets	**122**	127
Right to receive a land use right from Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission ("QHSH") (Note)	**—**	1,089
Others	**81**	89
	203	1,305

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. The said land parcel was received during the year ended 31 December 2021, this amount was reclassified and included in right-of-use assets.

24. INVENTORIES

	2021 HK$'million	2020 HK$'million
Raw materials	**149**	128
Spare parts and consumables	**17**	51
	166	179

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021 HK$'million	2020 HK$'million
Trade debtors from contracts with customers	**1,082**	1,076
Less: allowance for credit losses (Note (a))	**(59)**	(58)
Trade debtors, net (Notes (b), (c), (d) and (e))	**1,023**	1,018
Amounts due from fellow subsidiaries (Note (f))	**31**	15
Amount due from immediate holding company (Note (f))	**2**	2
Amounts due from associates (Note (g))	**83**	98
Amounts due from joint ventures (Note (f))	**1**	1
Dividend receivables	**250**	290
	1,390	1,424
Other debtors, deposits and prepayments (Note (i))	**744**	4,069
	2,134	5,493

Notes:

(a) Movements in the allowance for credit losses of trade debtors are as follows:

	2021 HK$'million	2020 HK$'million
As at 1 January	**58**	85
Allowance for credit losses	**4**	12
Reversal of allowance	**(1)**	(38)
Written-off	**(2)**	(4)
Exchange adjustments	**—**	3
As at 31 December	**59**	58

The allowance for credit losses have been included in other income and other gains, net in the consolidated statement of profit or loss.

(b) No bill receivables (2020: HK$1 million) is included in trade debtors as at 31 December 2021 with a maturity period of less than one year.

25. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes: (continued)

(c) 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 HK$'million	2020 HK$'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

(d) As at 31 December 2021, trade debtors of HK$683 million (2020: HK$910 million) are neither past due nor impaired and are fully performing.

(e) As at 31 December 2021, included in the Group's trade debtors balance are debtors with aggregate carrying amount (before any allowance for credit losses) of HK$399 million (2020: HK$163 million) which are past due as at the reporting date. Out of the past due balances, HK$92 million (2020: HK$20 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 in accordance with the credit term.

(g) The balances are unsecured, interest-free and repayable in accordance with the credit term.

(h) As at 31 December 2021, the amounts due from related parties and dividend receivables, in aggregate, of HK$367 million (2020: HK$406 million) are neither past due nor impaired and are fully performing.

(i) Included in the amount as at 31 December 2020 was an indemnification receivable from the holding companies of a non-controlling shareholder of a subsidiary amounting to HK$239 million and the compensation receivable from SLRC for the resumption of land parcels at Shantou amounting to HK$3,258 million.

During the year ended 31 December 2021, the remaining balance of the indemnification receivable was fully impaired, and a supplement agreement was entered into with SLRC for the settlement of the compensation receivable, which was scheduled to be completed after 12 months from 31 December 2021. As such, the amount of HK$3,297 million as at 31 December 2021 was reclassified as non-current asset and included in other financial assets.

26. CASH AND BANK BALANCES

	2021 HK$'million	2020 HK$'million
Cash at bank and in hand	7,314	7,167
Short-term time and other deposits (Note (a))	2,660	4,050
Cash and cash equivalents	9,974	11,217
Other deposits (Note (b))	6	73
	9,980	11,290

Notes:

(a) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 0.93% (2020: 0.99%) per annum. These deposits can be readily convertible to cash before maturity.

(b) The weighted average effective interest rate on the balances as at 31 December 2020 was approximately 3.61% per annum. These deposits are not convertible to cash until maturity.

27. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2020, 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 investment properties, right-of-use assets and property, plant and equipment respectively in the consolidated statement of financial position) in Mainland China. As at 31 December 2021 and 2020, the compensation for resumption are expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised. The transaction is expected to be completed in 2022.

28. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2021	2020	**2021** **HK$'million**	2020 HK$'million
Issued and fully paid:				
As at 1 January	**3,661,088,416**	3,448,947,770	**42,521**	40,614
Issue of scrip dividend shares (Note)	**124,531,313**	212,140,646	**1,496**	1,907
As at 31 December	**3,785,619,729**	3,661,088,416	**44,017**	42,521

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
2020 final dividend	16 July 2021	**82,054,406**
2021 interim dividend	18 November 2021	**42,476,907**
2021 Total		**124,531,313**
2020 Total		212,140,646

29. PERPETUAL CAPITAL SECURITIES

In October 2020, CMHI Finance (BVI) Co., Ltd ("CMFBVI"), a wholly-owned subsidiary of the Company, issued US$600 million 3.5% and US$200 million 3.875% guaranteed perpetual capital securities ("2020 Perpetual Capital Securities"). Any amount payable arising from distribution or redemption were unconditionally and irrevocably guaranteed by the Company. Distribution on 2020 Perpetual Capital Securities are payable semi-annually in arrears on April and October each year ("Distributions Payment Date") and can be deferred at the discretion of CMFBVI and is not subject to any limit as to the number of times distributions. The 2020 Perpetual Capital Securities have no fixed maturity. US$600 million 3.5% guaranteed perpetual capital securities are redeemable at CMFBVI's option on 9 October 2023 or any Distributions Payment Date at their principal amounts, and US$200 million 3.875% guaranteed perpetual capital securities are redeemable at CMFBVI's option on 9 October 2025 or any Distributions Payment Date at their principal amounts. While any distributions are unpaid or deferred, the Company and CMFBVI cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and CMFBVI.

The 2020 Perpetual Capital Securities are classified as equity instrument. Any distributions made by CMFBVI to the holders are recognised in equity in the consolidated financial statements of the Company. During the year ended 31 December 2020, a net proceeds amounted to US$799 million (equivalent to approximately HK$6,185 million) was received.

During the year, distributions amounted to HK$223 million, representing 3.6% of the perpetual capital securities issued, was paid to the holders of the perpetual capital securities.

30. 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 and expired in December 2021.

No share options have been granted under the New Scheme since its adoption.

31. 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 2021	436	291	950	3,245	4,922
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	2,595	—	2,595
Release of reserves upon deemed disposal of a subsidiary	—	—	(3)	(7)	(10)
Release of reserves upon deemed disposal of partial interest in associates	(4)	(4)	(35)	(19)	(62)
Surplus on revaluation of an owner occupied property upon change of use to investment property	—	61	—	—	61
Share of reserves of associates and a joint venture	—	361	—	—	361
Other comprehensive income/(expense) for the year, net of tax	(4)	418	2,557	(26)	2,945
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	—	—	—	99	99
Contribution from immediate holding company	20	—	—	—	20
Reversal of contribution from immediate holding company	(22)	—	—	—	(22)
Share of other changes in equity attributable to equity holders of associates	468	—	—	—	468
Total transactions with owners for the year	466	—	—	99	565
As at 31 December 2021	898	709	3,507	3,318	8,432

31. OTHER RESERVES (CONTINUED)

	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 2020	597	279	(2,836)	2,977	1,017
OTHER COMPREHENSIVE INCOME					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	3,934	—	3,934
Release of reserves upon obtaining control of a non-wholly owned subsidiary	—	—	(87)	—	(87)
Share of reserves of associates and a joint venture	—	12	—	—	12
Other comprehensive income for the year, net of tax	—	12	3,847	—	3,859
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	—	—	—	348	348
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	296	—	—	—	296
Acquisition of additional interests in subsidiaries	(527)	—	(61)	—	(588)
Obtaining control of a non-wholly owned subsidiary	(4)	—	—	(80)	(84)
Contribution from immediate holding company	17	—	—	—	17
Share of other changes in equity attributable to equity holders of associates	57	—	—	—	57
Total transactions with owners for the year	(161)	—	(61)	268	46
As at 31 December 2020	436	291	950	3,245	4,922

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.

32. BANK AND OTHER BORROWINGS

	2021 HK$'million	2020 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	4,629	5,014
– fixed rate	61	772
Unsecured long-term fixed rate bank loans	851	826
Long-term variable rate bank loans		
– unsecured	3,767	4,864
– secured (Note (a))	2,307	2,941
	11,615	14,417
Loan from a non-controlling equity holder of a subsidiary (Note (b))	504	520
Loans from a fellow subsidiary (Note (c))	461	455
Loan from immediate holding company (Note (d))	1,314	934
Notes payable (Note (e))		
– US$500 million, 5% guaranteed listed notes maturing in 2022	3,896	3,865
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	6,998	6,944
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	3,888	3,863
– US$600 million, 5% guaranteed listed notes maturing in 2028	4,633	4,602
– Brazilian Real 300 million (2020: Brazilian Real 428 million), Brazil's Extended National Consumer Price Index ("IPCA") +7.82% listed notes maturing in 2021 and 2022	411	621
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	3,062	2,971
	22,888	22,866
Total	36,782	39,192
Less: amounts due within one year included under current liabilities	(14,551)	(8,952)
Non-current portion	22,231	30,240

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 31 December 2021 and 2020, the following assets are pledged against the Group's secured bank loans:

	2021 HK$'million	2020 HK$'million
Property, plant and equipment (note 16)	356	458
Right-of-use assets (note 17)	230	230
	586	688

In addition to the above, the entire shareholdings in two subsidiaries, owned by the Group as at 31 December 2021 and 2020, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) The amount is unsecured, interest-bearing at 4.65% (2020: 4.65%) per annum.

(c) Included in the amount as at 31 December 2021 and 2020 is loans from a fellow subsidiary which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. These amounts are unsecured, interest-bearing at 1.20% to 4.41% (2020: 1.20% to 4.80%) per annum.

(d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum.

(e) Listed notes issued by subsidiaries of the Company amounting to HK$19,415 million (2020: HK$19,274 million) are secured by corporate guarantees provided by the Company.

The effective interest rate of the Group's notes payables are as follows:

	2021	2020
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 300 million (2020: Brazilian Real 428 million), IPCA +7.82% listed notes maturing in 2021 and 2022	14.66%	14.66%
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$21,259 million (2020: HK$22,152 million) and HK$3,017 million (2020: HK$2,971 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 2021 and 2020.

(f) The Group is required to comply with certain financial covenants and non-financial covenants throughout the continuance of the relevant loans. The Group has complied with the covenants throughout the reporting period.

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(g) As at 31 December 2021, the Group has undrawn facilities of bank loan and other debt financing instruments amounting to HK$17,215 million (2020: HK$27,806 million), of which HK$10,663 million (2020: HK$19,174 million) and HK$6,552 million (2020: HK$8,632 million) are committed and uncommitted credit facilities respectively.

(h) The bank and other borrowings as at 31 December 2021 and 2020 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from a fellow subsidiary		Loan from immediate holding company		Notes payable		Total	
	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million
Within 1 year	5,791	7,688	—	—	77	148	1,314	934	7,369	182	14,551	8,952
Between 1 and 2 years	1,989	1,123	—	—	—	—	—	—	6,998	7,275	8,987	8,398
Between 2 and 5 years	2,897	4,589	—	—	239	152	—	—	3,888	10,807	7,024	15,548
Within 5 years	10,677	13,400	—	—	316	300	1,314	934	18,255	18,264	30,562	32,898
More than 5 years	938	1,017	504	520	145	155	—	—	4,633	4,602	6,220	6,294
	11,615	14,417	504	520	461	455	1,314	934	22,888	22,866	36,782	39,192

(i) The effective interest rates of bank loans at the end of the reporting period are as follows:

	2021	2020
Hong Kong dollar	0.66% to 0.81%	0.63% to 0.93%
Renminbi	1.20% to 4.66%	1.20% to 4.98%
Euro	3.72% to 5.78%	3.72% to 5.17%
United States dollar	0.65% to 2.51%	0.69% to 2.59%
Brazilian Real	5.67%	4.00% to 4.85%

33. LEASE LIABILITIES

	2021 HK$'million	2020 HK$'million
Lease liabilities payable:		
Within 1 year	40	76
Between 1 and 2 years	7	3
Between 2 and 5 years	25	16
More than 5 years	854	867
	926	962
Less: Amount due for settlement with 12 months shown under current liabilities	(40)	(76)
Amount due for settlement after 12 months shown under non-current liabilities	886	886

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 2021 is 5.30% (2020: 5.28%).

Lease liabilities of HK$926 million (2020: HK$962 million) are recognised with related right-of-use assets of HK$673 million (2020: HK$729 million) as at 31 December 2021. 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 37.1 (iii).

34. OTHER NON-CURRENT LIABILITIES

	2021 HK$'million	2020 HK$'million
Concession liabilities (Note (a))	2,772	3,352
Royalty provision (Note (b))	887	891
Net deferred benefit obligations (Note (c))	599	496
Deferred income	437	437
Others	40	53
	4,735	5,229

34. OTHER NON-CURRENT LIABILITIES (CONTINUED)

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 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$82 million (2020: HK$80 million) is included in creditors and accruals under current liabilities.

In September 2021, TCP has entered into supplemental agreement to the concession agreement by changing the inflation index from General Market Price Index ("IGP-M") to IPCA.

The modification was assessed to be substantial modification and was accounted for as an extinguishment of the existing TCP Concession Liabilities and the recognition of a new financial liability. The gain on modification of contract terms amounted to HK$944 million has been included in other income and other gains, net.

(b) 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$87 million (2020: HK$79 million) is included in creditors and accruals under current liabilities. The initial recognition of the Royalty Provision is determined by discounting the future annual guaranteed cash flows at the then market rate.

(c) Amount represents the net defined benefit obligations for defined benefit plans.

The present value of the defined benefit plan liabilities 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 obligations were carried out as at 31 December 2021 by an independent qualified professional valuer. The present value of the defined benefit obligations, 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$27 million (2020: HK$24 million) has been included in administrative expenses.

The remeasurement of the net defined benefit liabilities is included in other comprehensive income.

35. DEFERRED TAXATION

The movement in the net deferred tax liabilities is as follows:

	2021 HK$'million	2020 HK$'million
As at 1 January	**4,062**	3,408
Exchange adjustments	**65**	83
Obtaining control of a non-wholly owned subsidiary (note 39)	—	485
Charged to consolidated statement of profit or loss (note 12)	**310**	86
Charged to other comprehensive income	**20**	—
As at 31 December	**4,457**	4,062

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$2,286 million (2020: HK$2,076 million) to be carried forward against future taxable income. These amount expire in the following years:

	2021 HK$'million	2020 HK$'million
2021	—	158
2022	**471**	473
2023	**646**	685
2024	**474**	468
2025	**359**	292
2026	**336**	—
	2,286	2,076

35. 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	
	2021 HK$'million	2020 HK$'million	**2021 HK$'million**	2020 HK$'million	**2021 HK$'million**	2020 HK$'million	**2021 HK$'million**	2020 HK$'million
As at 1 January	**(1,836)**	(1,516)	**(1,909)**	(1,578)	**(737)**	(574)	**(4,482)**	(3,668)
Exchange adjustments	**(56)**	(100)	**9**	48	**(19)**	(29)	**(66)**	(81)
Obtaining control of a non-wholly owned subsidiary (note 39)	**—**	—	**—**	(485)	**—**	—	**—**	(485)
(Charged)/credited to profit or loss	**(278)**	(220)	**37**	106	**(42)**	(134)	**(283)**	(248)
Charged to other comprehensive income	**—**	—	**—**	—	**(20)**	—	**(20)**	—
As at 31 December	**(2,170)**	(1,836)	**(1,863)**	(1,909)	**(818)**	(737)	**(4,851)**	(4,482)

Deferred tax assets

	Provision		Others		Total	
	2021 HK$'million	2020 HK$'million	**2021 HK$'million**	2020 HK$'million	**2021 HK$'million**	2020 HK$'million
As at 1 January	**12**	20	**408**	240	**420**	260
Exchange adjustments	**—**	—	**1**	(2)	**1**	(2)
Credited/(charged) to profit or loss	**14**	(8)	**(41)**	170	**(27)**	162
As at 31 December	**26**	12	**368**	408	**394**	420

As at 31 December 2021, the Group has deductible temporary difference of HK$766 million (2020: HK$180 million). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

36. CREDITORS AND ACCRUALS

	2021 HK$'million	2020 HK$'million
Trade creditors (Note (a))	546	312
Contract liabilities	122	115
Amounts due to fellow subsidiaries (Note (b))	42	51
Amounts due to associates (Note (b))	501	364
Other payables and accruals	3,093	3,310
	4,304	4,152

Notes:

(a) The ageing analysis of the trade creditors, based on invoice date, is as follows:

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

(b) The balances are unsecured, interest-free and repayable in accordance with the credit term.

37. FINANCIAL RISK MANAGEMENT

37.1 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 2021, 61% (2020: 59%) of the Group's borrowings are denominated in United States dollar, 23% (2020: 24%) are denominated in Renminbi, 3% (2020: 4%) are denominated in Euro, 2% (2020: 3%) are denominated in Brazilian Real and 11% (2020: 10%) 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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

At 31 December 2021, if Renminbi had strengthened/weakened against the other currencies by 3% (2020: 3%) with all other variables held constant, profit before taxation would have been approximately HK$101 million lower/higher (2020: HK$91 million lower/higher) mainly as a result of decrease/increase (2020: decrease/increase) 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 2021, if United States dollar had strengthened/weakened against the other currencies by 0.5% (2020: 0.5%) with all other variables held constant, profit before taxation would have been approximately HK$99 million lower/higher (2020: HK$129 million lower/higher) mainly as a result of decrease/increase (2020: decrease/increase) 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 2021, if there had been a 10% (2020: 10%) increase/decrease in the prices of the respective equity instruments with all other variables held constant, (i) profit before taxation would increase/decrease by HK$294 million (2020: HK$296 million) as a result of the changes in fair value of the financial assets at FVTPL and (ii) other comprehensive income for the year ended 31 December 2021 would increase/decrease by HK$3 million (2020: HK$3 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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Financial risk factors (continued)

(i) Market risk (continued)

(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 associates and a joint venture and bank deposits as at 31 December 2021, 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.

At 31 December 2021, if interest rates on borrowings had been 100 basis points (2020: 100 basis points) higher/lower with all other variables held constant, profit before taxation would have been HK$124 million (2020: HK$143 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Financial risk factors (continued)

(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 2021, 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 40(d).

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 amount due from fellow subsidiaries and immediate holding company, and amount due from/advance to associates and joint ventures, 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 accounts for its credit risk on other debtors and compensation receivable from SLRC 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.

Regarding financial guarantee contracts, the management of the Group performs impairment assessments by reviewing the financial position and results of the related parties periodically and considers the credit risk to be insignificant.

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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 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	2021 Gross carrying amount HK$'million	2021 Gross carrying amount HK$'million	2020 Gross carrying amount HK$'million	2020 Gross carrying amount HK$'million
Financial assets at amortised cost								
Trade debtors(Note (a))	25	N/A	A	Lifetime ECL (not credit-impaired)	668		583	
			B	Lifetime ECL (not credit-impaired)	302		367	
			C	Lifetime ECL (not credit-impaired)	53		59	
			D	Lifetime ECL (credit-impaired)	59	1,082	67	1,076
Amounts due from fellow subsidiaries (Note (b))	25	N/A	B	12m ECL	31	31	15	15
Amount due from immediate holding company (Note (b))	25	N/A	B	12m ECL	2	2	2	2
Amounts due from associates (Note (b))	25	N/A	B	12m ECL	83	83	98	98
Advances to associates (Note (b))	22	N/A	B	12m ECL	3,376	3,376*	3,365	3,365*
Amounts due from joint ventures (Note (b))	25	N/A	B	12m ECL	1	1	1	1
Advance to a joint venture (Note (b))	22	N/A	B	12m ECL	992	992*	988	988*

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount HK$'million	2021 Gross carrying amount HK$'million	2020 Gross carrying amount HK$'million	2020 Gross carrying amount HK$'million
Dividend receivables (Note (b))	25	N/A	A	12m ECL	250	250	290	290
Other debtors/compensation receivable from SLRC (Note (b))	25/22	N/A	B	12m ECL	3,816		3,702	
			D	Lifetime ECL (credit-impaired)	926	4,742	857	4,559
Cash and bank balances (Note (b))	26	Aa3 to Ba2	N/A	12m ECL	9,980	9,980	11,290	11,290
Other item								
Financial guarantee contracts (Note (c))	40(d)	N/A	A	12m ECL	305	305	307	307

* The gross carrying amounts disclosed above include the relevant interest receivables which are also included in notes 22 and 25.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 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 and relevant credit 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
2021			
Amounts due from fellow subsidiaries	—	31	31
Amounts due from immediate holding company	—	2	2
Amounts due from associates	—	83	83
Advances to associates	—	3,376	3,376
Amounts due from joint ventures	—	1	1
Advance to a joint venture	—	992	992
Dividend receivables	—	250	250
Other debtors/compensation receivable from SLRC	926	3,816	4,742
Cash and bank balances	—	9,980	9,980
2020			
Amounts due from fellow subsidiaries	—	15	15
Amounts due from immediate holding company	—	2	2
Amounts due from associates	—	98	98
Advances to associates	—	3,365	3,365
Amounts due from joint ventures	—	1	1
Advance to a joint venture	—	988	988
Dividend receivables	—	290	290
Other debtors	857	3,702	4,559
Cash and bank balances	—	11,290	11,290

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 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 2021	Average loss rate 2020
A	**0.01%**	0.06%
B	**0.26%**	0.21%
C	**4.72%**	2.36%
D	**94.79%**	81.86%

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 2020	4	81	85
Impairment losses recognised	—	12	12
Impairment losses reversed	(1)	(37)	(38)
Written-off	—	(4)	(4)
Exchange adjustments	—	3	3
As at 31 December 2020	3	55	58
Impairment losses recognised	**2**	**2**	**4**
Impairment losses reversed	—	**(1)**	**(1)**
Written-off	—	**(2)**	**(2)**
Exchange adjustments	**(2)**	**2**	—
As at 31 December 2021	**3**	**56**	**59**

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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 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 2020	38
Impairment loss recognised	536
Exchange adjustments	44
As at 31 December 2020	618
Impairment loss recognised	**288**
Exchange adjustments	**20**
As at 31 December 2021	**926**

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, when the other debtors are over three years past due, or in dispute whichever occurs earlier.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$305 million as at 31 December 2021 (2020: HK$307 million). As at 31 December 2021 and 2020, 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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 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 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 32(g)) and cash and bank balances (note 26) 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$5,473 million as at 31 December 2021. 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.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings, ensures compliance with loan covenants and renews bank borrowings, if necessary.

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	
	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million	2021 HK$'million	2020 HK$'million
Interest-bearing debts	15,875	10,394	9,898	9,501	8,246	17,292	6,752	7,063	40,771	44,250
Other financial liabilities	3,626	3,496	167	176	530	555	5,472	6,078	9,795	10,305
	19,501	13,890	10,065	9,677	8,776	17,847	12,224	13,141	50,566	54,555
Lease liabilities	88	125	54	54	163	158	1,438	1,485	1,743	1,822
Financial guarantee contracts	—	—	—	—	—	—	305	307	305	307

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Financial risk factors (continued)

(iv) Interest rate benchmark reform

Several of the Group's LIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators and acknowledgements from the banks.

The amendments have had no impact on the consolidated financial statements as none of the relevant LIBOR bank loans has been transitioned to the relevant replacement rates or discontinued during the year.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into, but the Group is working closely with all counterparties to avoid a huge increase of the interest rate.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 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 equity attributable to the Company's equity holders and 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 2021 and 2020 were as follows:

	2021 HK$'million	2020 HK$'million
Total interest-bearing debts and lease liabilities (notes 32 and 33)	**37,708**	40,154
Less: cash and bank balances (note 26)	**(9,980)**	(11,290)
Net interest-bearing debts and lease liabilities	**27,728**	28,864
Net gearing ratio:		
Net interest-bearing debts and lease liabilities divided by total equity	**22.2%**	25.4%

37.3 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).

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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Fair value estimation (continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2021 and 2020:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
At 31 December 2021				
Financial assets				
Financial assets at FVTPL	**2,941**	**2,891**	**3**	**5,835**
Equity instruments at FVTOCI	—	—	**32**	**32**
	2,941	**2,891**	**35**	**5,867**
At 31 December 2020				
Financial assets				
Financial assets at FVTPL	2,952	—	3	2,955
Equity instruments at FVTOCI	—	—	31	31
	2,952	—	34	2,986
Financial liabilities				
Financial liabilities at FVTPL	—	—	3,432	3,432

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.

The fair value of the structured deposits that are accounted for as financial assets at FVTPL is valued based on the foreign exchange rate and gold price. As at 31 December 2021, if the foreign exchange rate was 5% (31 December 2020: N/A) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (31 December 2020: N/A). As at 31 December 2021, if the gold price was 5% (31 December 2020: N/A) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (31 December 2020: N/A).

The fair value of other unlisted equity instruments that are accounted for as financial assets at FVTPL or equity instruments at FVTOCI is valued based on Guideline Publicly Traded Company 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. As at 31 December 2021, if any of the significant unobservable input above was 5% (2020: 5%) higher/lower while all the other variables were held constant, the change in fair value of these unlisted equity instruments would be insignificant (2020: insignificant).

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Fair value estimation (continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

In prior year, the fair value of the liabilities arising from the concession arrangements (see note 34(a)) 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 2020, if factor of inflation was 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$165 million. As at 31 December 2020, if the probability-adjusted business volume was 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$132 million.

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.

The following table presents the changes in level 3 instruments for the years ended 31 December 2021 and 2020:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million	Financial liabilities at FVTPL HK$'million
Year ended 31 December 2021			
As at 1 January 2021	3	31	3,432
Exchange adjustments	—	1	(118)
Settlement	—	—	(77)
Fair value loss recognised in profit or loss	—	—	575
Extinguishment upon modification (note 34(a))	—	—	(3,812)
As at 31 December 2021	3	32	—

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Fair value estimation (continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million	Financial liabilities at FVTPL HK$'million
Year ended 31 December 2020			
As at 1 January 2020	3	9	4,532
Obtaining control of a non-wholly owned subsidiary (note 39)	—	21	—
Exchange adjustments	—	1	(935)
Settlement	—	—	(930)
Fair value loss recognised in profit or loss	—	—	765
As at 31 December 2020	3	31	3,432

(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 notes payable stated in note 32, 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.

38. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operations:

	2021 HK$'million	2020 HK$'million
Earnings before finance costs, net, taxation and share of profits less losses of associates and joint ventures	**4,787**	4,225
Adjustments for:		
Depreciation and amortisation	**2,286**	2,033
Net changes in fair value of investment properties	**(21)**	(149)
Net changes in fair value of financial assets at FVTPL	**30**	(256)
Net changes in fair value of financial liabilities at FVTPL	**575**	765
Impairment loss recognised in respect of goodwill	**—**	621
Net allowance for credit losses of trade debtors and other debtors	**291**	510
Gain on resumption of land parcels at Shantou	**—**	(1,722)
(Gain)/loss on disposal of property, plant and equipment	**(10)**	120
Gain on discontinuance of equity accounting for a joint venture	**—**	(960)
Gain on deemed disposal of a subsidiary	**(17)**	—
Net gain on deemed disposal of partial interest in associates	**(454)**	—
Gain on modification of contract terms for a concession arrangement	**(944)**	—
Operating profit before working capital changes	**6,523**	5,187
Increase in inventories	**(18)**	(51)
(Increase)/decrease in debtors, deposits and prepayments	**(247)**	163
Increase/(decrease) in creditors and accruals	**293**	(763)
Net cash inflow from operations	**6,551**	4,536

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$'million	Loans from a non-controlling equity holder of a subsidiary HK$'million	Loans from a fellow subsidiary 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$'million	Amount due to an associate (included in creditors and accruals) HK$'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	Distribution payable to holders of perpetual capital securities HK$'million	Total HK$'million
At 1 January 2021	14,417	520	455	934	22,866	962	565	—	114	—	—	40,833
Financing cash flows	(2,862)	—	(8)	299	(185)	(137)	(1,488)	55	(386)	(1,194)	(223)	(6,129)
Non-cash changes												
Exchange adjustments	60	(16)	(2)	34	207	27	(234)	5	35	—	—	116
Deemed disposal of a subsidiary	—	—	—	—	—	—	—	112	—	—	—	112
Issue of shares in lieu of dividends	—	—	—	—	—	—	—	—	—	(1,496)	—	(1,496)
Interest expense	—	—	16	47	—	50	1,733	—	—	—	—	1,846
New leases entered/lease modified	—	—	—	—	—	24	—	—	—	—	—	24
Declaration of distribution	—	—	—	—	—	—	—	—	—	—	223	223
Declaration of dividend	—	—	—	—	—	—	—	—	283	2,690	—	2,973
At 31 December 2021	11,615	504	461	1,314	22,888	926	576	172	46	—	—	38,502
At 1 January 2020	12,091	454	1,027	366	24,476	1,002	597	—	145	—	—	40,158
Financing cash flows	1,957	—	(604)	491	(1,551)	(166)	(1,750)	—	(687)	(742)	—	(3,052)
Non-cash changes												
Obtaining control of a non-wholly owned subsidiary	173	—	—	—	—	—	—	—	—	—	—	173
Exchange adjustments	196	66	29	55	(59)	72	(66)	—	(15)	—	—	278
Issue of shares in lieu of dividends	—	—	—	—	—	—	—	—	—	(1,907)	—	(1,907)
Interest expense	—	—	3	22	—	54	1,784	—	—	—	—	1,863
Declaration of dividend	—	—	—	—	—	—	—	—	671	2,649	—	3,320
At 31 December 2020	14,417	520	455	934	22,866	962	565	—	114	—	—	40,833

39. OBTAINING CONTROL OF A NON-WHOLLY OWNED SUBSIDIARY

For the year ended 31 December 2020

In November 2020, a wholly-owned subsidiary of the Company and the other shareholders of Ningbo Daxie China Merchants International Terminals Co. Ltd. ("Daxie Port") resolved by way of shareholders' resolutions to establish the Budget Committee, and entered into a Cooperation Agreement with Ningbo Zhoushan Port Company Limited ("Ningbo Port"), a shareholder owned 35% interest of Daxie Port (the "Cooperation Agreement").

The Budget Committee shall comprise of three directors. Each of the shareholders of Daxie Port shall nominate one director to be a member of the Budget Committee, and the director nominated by the Group shall be the chairman. The Budget Committee is primarily responsible for approving Daxie Port's annual business plan, annual financial budget and final accounts, and after-tax profit distribution plan. Any matters to be considered by the Budget Committee shall be approved by a two-thirds majority.

Pursuant to the Cooperation Agreement, the Group and Ningbo Port will consult and communicate among themselves to reach consensus before exercising their shareholders' rights, and exercise their rights in their capacities as the directors of Daxie Port in the relevant decision-making process at board meetings. If the parties to the Cooperation Agreement cannot reach consensus, the matter shall be decided in accordance with the opinion of the Group. No consideration is payable by either party under the Cooperation Agreement.

Upon the completion of the Cooperation Agreement, the Group had over 50% of shareholders' rights, which had the power to direct the relevant activities of Daxie Port, and obtained effective control over Daxie Port. Accordingly, the Group no longer recognised its investment in Daxie Port as interest in joint venture, and able to account for and consolidate Daxie Port as a subsidiary into the consolidated financial statements.

Daxie Port is principally engaged in port and container terminal business in Ningbo, the PRC.

Further details of the Daxie Port are set out below:

Fair value of identifiable assets acquired and liabilities assumed:

	HK$'million
Property, plant and equipment (note 16)	2,789
Right-of-use assets	1,428
Inventories	10
Debtors, deposits and prepayments	146
Other financial assets	21
Cash and bank balances	367
Bank and other borrowings	(173)
Deferred tax liabilities	(485)
Creditors and accruals	(140)
Taxation payable	(16)
Total identifiable net assets	3,947

Trade debtors acquired with a fair value of HK$64 million at the date of obtaining control were also the gross contractual amount and best estimate contractual cash flows at the date of obtaining control.

39. OBTAINING CONTROL OF A NON-WHOLLY OWNED SUBSIDIARY (CONTINUED)

For the year ended 31 December 2020 (continued)

Net cash inflow arising on obtaining control of Daxie Port:

	HK$'million
Cash consideration	—
Less: Cash and bank balances acquired	367
Net cash inflow during the year ended 31 December 2020	367

The non-controlling interests in Daxie Port recognised were measured by reference to the fair values of the identifiable assets acquired and liabilities assumed at the date of obtaining control.

Goodwill arising on obtaining control of Daxie Port:

	HK$'million
Fair value of consideration transferred	—
Add: Non-controlling interests	2,171
Add: Fair values of previously-held interests	1,994
Less: Fair values of identifiable net assets acquired	(3,947)
Goodwill arising on obtaining control	218

Gain on discontinuance of equity accounting for a joint venture

	HK$'million
Fair values of previously-held interests	1,994
Less: Carrying values of previously-held interests	(1,121)
Add: Retranslation reserves reclassified to profit or loss	87
Gain on discontinuance of equity accounting for a joint venture	960

39. OBTAINING CONTROL OF A NON-WHOLLY OWNED SUBSIDIARY (CONTINUED)

For the year ended 31 December 2020 (continued)

Gain on discontinuance of equity accounting for a joint venture (continued)

Goodwill arose on obtaining control of Daxie Port because the cost of the combination included a control premium and the future profitability as at the date of obtaining control. 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 2020 were net profit of HK$31 million and revenue of HK$83 million generated by Daxie Port.

Had the above combination been completed on 1 January 2020, total group revenue for the year ended 31 December 2020 would have been HK$9,812 million, and profit for the year ended 31 December 2020 would have been HK$6,192 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 combination been completed on 1 January 2020, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the combination been completed at the beginning of 2020, the directors of the Company had:

- calculated depreciation of property, plant and equipment 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 combination.

40. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments for property, plant and equipment and intangible assets that are contracted but not provided for

	2021 HK$'million	2020 HK$'million
Group		
Property, plant and equipment and intangible assets	**1,482**	2,348
Joint ventures		
Property, plant and equipment	**56**	23
	1,538	2,371

(b) Capital commitments for investments that are contracted but not provided for

	2021 HK$'million	2020 HK$'million
Group		
Ports projects	**6**	1,194
Joint Ventures		
Land development project	**220**	—

40. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Future operating lease receivables where the Group as lessor

The Group has future aggregate lease receivables under non-cancellable operating leases for investment properties and property, plant and equipment as follows:

	2021 HK$'million	2020 HK$'million
Within one year	**278**	316
In the second year	**129**	146
In the third year	**91**	99
In the fourth year	**70**	81
In the fifth year	**68**	73
After the fifth year	**114**	184
	750	899

(d) Contingent liabilities

(i) As at 31 December 2021, 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$255 million (2020: HK$253 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 2021 and 2020, 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$80 million (2020: HK$84 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$225 million (2020: HK$223 million) and the aggregate amount utilised by the relevant related party amounted to HK$135 million (2020: HK$134 million).

The directors of the Company assessed the risk of default of the associate and the related party 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 2021 and 2020, the Company has been 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 of the claim at the current stage and management of the Group considered that it is not probable that outflow of resources will be required.

41. RELATED PARTY TRANSACTIONS

The directors of the Company regard CMG, a state-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 2021 are as follows:

(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	2021 HK$'million	2020 HK$'million
Rental income from	(i)		
– fellow subsidiaries		51	42
– an associate		—	1
– joint ventures		16	15
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		2	4
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		4	7
Service income from	(ii)		
– immediate holding company		—	1
– fellow subsidiaries		261	134
– associates		43	59
– joint ventures		77	67
– related parties		1	—
Service fees paid to	(iii)		
– fellow subsidiaries		91	47
– associates		216	17
– joint ventures		23	18
– a related party		58	3

41. 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)

	Note	2021 HK$'million	2020 HK$'million
Interest income from			
– a fellow subsidiary	(iv)	**19**	15
– associates	(v)	**200**	149
– a joint venture	(v)	**77**	69
– a related party	(vi)	**18**	16
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		**47**	22
– fellow subsidiaries		**16**	23

Notes:

(i) The Group rented certain vessels and properties from and leased office premises and residential units to fellow subsidiaries, an associate and a related party, and also leased warehouse to joint ventures. Lease payments were received or charged at a fixed amount per month in accordance with respective tenancy agreements.

During the year ended 31 December 2021, the Group has recognised an addition of right-of-use-assets of HK$25 million (2020: HK$90 million) and lease liabilities of HK$25 million (2020: HK$90 million) in relation to these leases.

(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 and information technology services to the Group. The service fees were charged with reference to market rates.

(iv) As at 31 December 2021, the Group placed deposits of HK$595 million (2020: HK$1,365 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 2.10% (2020: 1.61% to 1.76%) per annum.

(v) Interest income was charged at interest rates as specified in note 22 on the outstanding advances to associates and a joint venture.

(vi) As at 31 December 2021, the Group placed deposits of HK$1,306 million (2020: HK$1,200 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

(vii) Interest expenses were charged at interest rates as specified in note 32 on the outstanding loans from immediate holding company and fellow subsidiaries.

(viii) In previous years, 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 lease, the Group had recognised a right-of-use asset amounting to HK$217 million. Lease payment of HK$217 million had been made by the Group during the previous years. As at 31 December 2021, the corresponding carrying amount of the right-of-use asset was HK$210 million (2020: HK$211 million).

(ix) During the year ended 31 December 2021, the Group acquire property, plant and equipment of HK$2 million (2020: HK$2 million) from fellow subsidiaries.

41. 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)

The balances with entities within CMG Group as at 31 December 2021 and 31 December 2020 are disclosed in notes 22, 25, 32 and 36.

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 41(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) Key management compensation

	2021 HK$'million	2020 HK$'million
Salaries and other short-term employee benefits	**19**	24

42. 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		
			2021 %	2020 %	2021 %	2020 %	
China Merchants Bonded Logistics Co., Limited (Note (b))	PRC	RMB700,000,000	—	—	60.00	60.00	Provision of container related logistics services
China Merchants Container Services Limited	Hong Kong	HK$500,000	—	—	100.00	100.00	Provision of container terminal services and ports transportation
China Merchants Finance Company Limited (Note (g))	British Virgin Islands	US$1	100.00	100.00	—	—	Provision of financial services
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 Technology Company Limited (formerly known as China Merchants Holding (International) Technology Company Limited) (Note (f))	PRC	RMB50,000,000	N/A	76.84	N/A	—	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 Terminal (Qingdao) Company Ltd. (Note (b))	PRC	US$44,000,000	—	—	90.10	90.10	Port, container terminal and logistics business
China Merchants Port Services (Shenzhen) Company Limited (Note (a))	PRC	RMB550,000,000	—	—	100.00	100.00	Provision of terminal services and ports transportation

42. 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 2021 %	Directly 2020 %	Indirectly 2021 %	Indirectly 2020 %	Principal activities
CMH International (China) Investment Co., Ltd. (Note (a))	PRC	US$67,400,000	100.00	100.00	—	—	Investment holding
CMHI Finance (BVI) Co., Ltd (Note (h))	British Virgin Islands	US$1	100.00	100.00	—	—	Provision of financial services
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$1,145,480,000	—	—	65.00	65.00	Port development, management and operation
Hambantota International Port Services Company (Private) Limited (Note (d))	Republic of Sri Lanka	US$606,000,000	—	—	37.70	37.70	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

42. 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 2021 %	Directly 2020 %	Indirectly 2021 %	Indirectly 2020 %	Principal activities
Ningbo Daxie China Merchants International Terminals Co., Ltd. (Notes (b) and (e))	PRC	RMB1,209,090,000	—	—	45.00	45.00	Port and container terminal business
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
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	RMB10,000,000	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

42. 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 2021 %	Directly 2020 %	Indirectly 2021 %	Indirectly 2020 %	Principal activities
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	–	–	70.00	70.00	Operation of berths No. 5 to 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. (Note (i))	Federative Republic of Brazil	Brazilian Real 68,851,561	–	–	77.45	77.45	Provision for container terminal services
Xia Men Bay China Merchants Terminals Co., Ltd. (Notes (b) and (d))	PRC	RMB444,500,000	–	–	31.00	31.00	Provision of terminal services and ports transportation
Zhangzhou China Merchants Port Co., Ltd. (Note (b))	PRC	RMB1,167,000,000	–	–	60.00	60.00	Operation of berths No. 3 to 6 in the Zhangzhou Economic Development Zone, Fujian Province, the PRC
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

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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 Directors' and shareholders' meetings of the respective entities by virtue of agreements with other investors.

(e) Further details are set out in note 39.

(f) Further details are set out in note 20.

(g) This entity has issued HK$7,784 million (2020: HK$7,728 million) of listed notes at the end of the year.

(h) This entity has issued HK$11,631 million (2020: HK$11,546 million) of listed notes and HK$6,241 million (2020: HK$6,237 million) of listed perpetual capital securities at the end of the year.

(i) This entity has issued HK$411 million (2020: HK$621 million) of listed notes at the end of the year.

43. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest held by the Company 2021 %	2020 %	Principal activities
Asia Airfreight Terminal Company Limited	Hong Kong	**20.00**	20.00	Airfreight services
China Merchants International Technology Company Limited (formerly known as China Merchants Holdings (International) Technology Company Limited) (Note (c))	PRC	**43.74**	N/A	Provision of computer network services
China Nanshan Development (Group) Incorporation (Note (a))	PRC	**37.01**	37.01	Investment holding
Chiwan Container Terminal Co., Ltd. (Notes (a) and (b))	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
Liaoning Port Company Limited (shares listed on the HKSE and the Shanghai Stock Exchange) (Notes (a), (b) and (c))	PRC	**11.32**	21.05	Provision of terminal business and logistic 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

43. PARTICULARS OF PRINCIPAL ASSOCIATES (CONTINUED)

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest held by the Company		Principal activities
		2021 %	2020 %	
Shanghai International Port (Group) Co., Ltd. (A shares listed on the Shanghai Stock Exchange) (Notes (a) and (c))	PRC	26.64	26.77	Ports and container terminal business and related services
Shenzhen China Merchants Qianhai Assets Development Co., Ltd. (Note (b))	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	7.31	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))	PRC	27.58	27.58	Ports and container terminal business

Notes:

(a) Sino-foreign joint ventures.

(b) These entities are considered to be associates 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 relevant entities, which is empowered to direct the relevant activities of influence of the investees by virtue of agreements.

(c) Further details are set out in note 20.

44. PARTICULARS OF PRINCIPAL JOINT VENTURES

Name of joint venture	Place of incorporation/ registration and operation	Proportion of effective ownership interest held by the Company		Principal activities
		2021 **%**	2020 %	
Euro-Asia Oceangate S.àr.l.	Luxembourg	**40.00**	40.00	Ports and container terminal business
Port of Newcastle Investments (Holdings) Trust	Australia	**50.00**	50.00	Management of port operation and port development
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (Note (a))	PRC	**25.00**	25.00	Ports and bulk cargo terminal business
Qingdao Qianwan United Container Terminal Co., Ltd.	PRC	**50.00**	50.00	Ports and container terminal business
Qingdao Qianwan West Port United Terminal Co., Ltd.	PRC	**49.00**	49.00	Ports and bulk cargo terminal business

Note:

(a) Sino-foreign joint ventures.

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).

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK$'million	2020 HK$'million
ASSETS		
Non-current assets		
Property, plant and equipment	388	402
Interests in subsidiaries	79,266	77,837
Interests in associates	632	588
Prepayment	6	6
	80,292	78,833
Current assets		
Debtors, deposits and prepayments	12	17
Advances to subsidiaries	1,239	1,697
Advances to associates	52	69
Cash and bank balances	2,376	3,702
	3,679	5,485
Total assets	83,971	84,318
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	44,017	42,521
Reserves (Note)	3,017	3,364
Proposed dividend (Note)	2,726	1,867
Total equity	49,760	47,752
LIABILITIES		
Non-current liability		
Bank and other borrowings	2,505	5,547
Current liabilities		
Advances from subsidiaries	23,855	25,455
Creditors and accruals	405	381
Bank and other borrowings	7,446	5,183
	31,706	31,019
Total liabilities	34,211	36,566
Total equity and liabilities	83,971	84,318
Net current liabilities	(28,027)	(25,534)
Total assets less current liabilities	52,265	53,299

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Wang Xiufeng
DIRECTOR

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note: The reserves of the Company at 31 December 2021 and 2020 are as follows:

	Capital reserve HK$'million (Note)	Retained earnings HK$'million	Total HK$'million
As at 1 January 2021	**2,353**	**2,878**	**5,231**
Profit and total comprehensive income for the year	**—**	**3,203**	**3,203**
Contribution from immediate holding company	**16**	**—**	**16**
Reversal of contribution from immediate holding company	**(17)**	**—**	**(17)**
Dividends	**—**	**(2,690)**	**(2,690)**
As at 31 December 2021	**2,352**	**3,391**	**5,743**
Retained earnings as at 31 December 2021 representing:			
Reserves		**665**	
Proposed dividend		**2,726**	
		3,391	
As at 1 January 2020	2,340	2,779	5,119
Profit and total comprehensive income for the year	—	2,748	2,748
Contribution from immediate holding company	13	—	13
Dividends	—	(2,649)	(2,649)
As at 31 December 2020	2,353	2,878	5,231
Retained earnings as at 31 December 2020 representing:			
Reserves		1,011	
Proposed dividend		1,867	
		2,878	

Note: 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.

Corporate Information

BOARD OF DIRECTORS

Mr. Deng Renjie *(Chairman)*

Mr. Wang Xiufeng *(Vice Chairman and Chief Executive Officer)*
(appointed on 26 August 2021)

Mr. Liu Weiwu
(appointed on 22 March 2021)

Mr. Deng Weidong
(appointed on 28 October 2021)

Mr. Yim Kong *(Managing Director)*
(apppointed on 3 November 2021)

Mr. Wang Zhixian

Mr. Su Jian
(resigned on 22 March 2021)

Mr. Xiong Xianliang
(resigned on 28 October 2021)

Mr. Bai Jingtao *(Managing Director)*
(resigned on 26 August 2021)

Mr. Ge Lefu
(resigned on 26 August 2021)

Mr. Zheng Shaoping
(resigned on 10 August 2021)

Mr. Kut Ying Hay*

Mr. Lee Yip Wah Peter*

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

Bank of China
China Development Bank
China Construction Bank
China Merchants Bank
DBS Bank 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 Thursday, 2 June 2022 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 2021 together with the Report of the Directors and the Independent Auditor's Report.

2 To declare a final dividend of 72 HK cents per share for the year ended 31 December 2021 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 Director;

(b) To re-elect Mr. Wang Xiufeng as a Director;

(c) To re-elect Mr. Deng Weidong as a Director;

(d) To re-elect Mr. Yim Kong as a Director;

(e) To re-elect Mr. Kut Ying Hay as a Director;

(f) To re-elect Mr. Lee Yip Wah Peter as a Director; and

(g) To re-elect Mr. Bong Shu Ying Francis 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 paragraph (c) of this Resolution and pursuant to Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (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 Company's articles of association (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)."

B. "**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 of Hong Kong Limited (the "**HKSE**") or any other stock exchange on which the securities of the Company may be listed and recognised by Securities and Futures Commission and the HKSE for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities (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."

C. "**THAT** conditional upon Resolutions numbered 5A and 5B 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 5B 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 5A 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, 28 April 2022

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 27 May 2022 to 2 June 2022, 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 Thursday, 26 May 2022.

   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 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 Registrars, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Monday, 13 June 2022.

4. Concerning resolutions numbered 5A and 5C 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 5B 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 Rules 13.39(5) and 13.39(5A) 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 28 April 2022 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. 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.

**CHINA MERCHANTS PORT
HOLDINGS COMPANY LIMITED**

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