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

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

- Throughput of containers handled reached 136.53 million TEUs, up 1.1% (2021: 135.04 million TEUs)
- Throughput of bulk cargoes handled reached 547 million tonnes, down 3.6% (2021: 567 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$7,781 million, down 4.5% (2021: HK$8,144 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$8,121 million, up 7.7% (2021: HK$7,537 million)
  - √ HK$9,378 million, up 16.6%, from ports operation (2021: HK$8,043 million)
- Basic earnings per share totaled 201.52 HK cents, down 8.3% (2021: 219.87 HK cents)
- Final dividend of 60 HK cents per share (2021: 72 HK cents per share)

2022 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022** *HK$'million*	**2021** *HK$'million*
Revenue	2	12,545	11,850
Cost of sales		(6,977)	(6,493)
Gross profit		5,568	5,357
Other income and other (losses)/gains, net	4	(635)	981
Administrative expenses		(1,516)	(1,551)
Finance income	5	407	400
Finance costs	5	(1,861)	(1,815)
Finance costs, net	5	(1,454)	(1,415)
Share of profits less losses of			
Associates		7,795	7,103
Joint ventures		317	151
		8,112	7,254
Profit before taxation		10,075	10,626
Taxation	6	(1,046)	(1,241)
Profit for the year	7	9,029	9,385
Attributable to:			
Equity holders of the Company		7,781	8,144
Holders of perpetual capital securities		229	227
Non-controlling interests		1,019	1,014
Profit for the year		9,029	9,385
Dividends	8	3,268	3,549
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		201.52	219.87

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	HK$'million	*HK$'million*
Profit for the year	9,029	9,385
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(9,227)	2,690
Release of reserves upon disposal of a subsidiary	24	—
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
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial loss on defined benefit plans of subsidiaries	(58)	(36)
Surplus on revaluation of an owner occupied property upon change of use to investment property	—	61
Share of other reserves of associates	(67)	356
Share of net actuarial loss on defined benefit plans of associates and a joint venture	(6)	(1)
Total other comprehensive (expense)/income for the year, net of tax	(9,334)	3,037
Total comprehensive (expense)/income for the year	(305)	12,422
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(453)	11,101
Holders of perpetual capital securities	229	227
Non-controlling interests	(81)	1,094
	(305)	12,422

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	**2022**	**2021**
		HK$'million	*HK$'million*
ASSETS			
Non-current assets			
Goodwill		5,613	5,641
Intangible assets		8,380	8,607
Property, plant and equipment		24,217	26,846
Right-of-use assets		16,735	17,650
Investment properties		8,265	9,034
Interests in associates		75,656	75,209
Interests in joint ventures		9,319	8,874
Other financial assets		8,860	10,516
Other non-current assets		258	203
Deferred tax assets		323	394
		157,626	162,974
Current assets			
Inventories		175	166
Other financial assets		2,468	3,016
Debtors, deposits and prepayments	10	2,257	2,134
Taxation recoverable		—	3
Cash and bank balances		9,629	9,980
		14,529	15,299
Non-current assets held for sale		—	417
		14,529	15,716
Total assets		172,155	178,690

	Note	2022	2021
		HK$'million	*HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		46,668	44,017
Reserves		47,899	51,519
Proposed dividend	8	2,402	2,726
		96,969	98,262
Perpetual capital securities		6,246	6,241
Non-controlling interests		19,361	20,295
Total equity		122,576	124,798
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		17,968	22,231
Lease liabilities		885	886
Other non-current liabilities		4,958	4,735
Deferred tax liabilities		4,766	4,851
		28,577	32,703
Current liabilities			
Creditors and accruals	11	3,514	4,304
Bank and other borrowings		16,561	14,551
Lease liabilities		65	40
Taxation payable		862	2,294
		21,002	21,189
Total liabilities		49,579	53,892
Total equity and liabilities		172,155	178,690
Net current liabilities		(6,473)	(5,473)
Total assets less current liabilities		151,153	157,501

NOTES:

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Hong Kong Companies Ordinance (Cap. 622) ("**HKCO**"). The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss ("**FVTPL**"), equity instruments at fair value through other comprehensive income and financial liabilities at FVTPL which are carried at fair value at the end of each reporting period.

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

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results 2022 do not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the HKCO is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the HKCO and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

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

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

2 Revenue

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

	2022	2021
	HK$'million	*HK$'million*
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	11,833	11,069
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	522	560
Revenue from contracts with customers	12,355	11,629
Gross rental income from investment properties	190	221
	12,545	11,850

3 Segment information

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

Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reporting segments of the Group.

From business and financial perspectives, management assesses the performance of the Group's business operations including ports operation, bonded logistics operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures.

The Group's ports operation are presented as follows:

(a) Mainland China, Hong Kong and Taiwan

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

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

(ii) Bonded logistics operation includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Other operations mainly include property development and investment and logistics operation operated by the Group's associates and property investment operated by the Group and corporate function.

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations. For the purpose of segment reporting, these individual operating segments have been aggregated into reporting segments on geographic basis as these individual operating segments have similar economic characteristics, and they present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations include a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

There are no material sales or other transactions between the segments.

During the current year, one (2021: one) customer has accounted for over 10% of the Group's total revenue amounting to HK$1,694 million (2021: HK$1,745 million).

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

	Revenue		**Non-current assets**	
	2022	**2021**	**2022**	**2021**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	7,919	7,352	102,221	108,106
Brazil	1,768	1,521	8,695	8,117
Other locations	2,858	2,977	37,527	35,841
	12,545	11,850	148,443	152,064

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 2022										
	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	4,825	1,326	86	1,015	4,581	11,833	522	190	—	190	12,545
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,855	131	22	(191)	2,018	3,835	117	159	(694)	(535)	3,417
Share of profits less losses of											
– Associates	242	5,564	181	42	1,050	7,079	9	707	—	707	7,795
– Joint ventures	2	—	138	5	182	327	(6)	(4)	—	(4)	317
	2,099	5,695	341	(144)	3,250	11,241	120	862	(694)	168	11,529
Finance costs, net	(60)	(1)	1	(23)	(187)	(270)	(14)	(30)	(1,140)	(1,170)	(1,454)
Taxation	(397)	(254)	(22)	(6)	(262)	(941)	(21)	(84)	—	(84)	(1,046)
Profit/(loss) for the year	1,642	5,440	320	(173)	2,801	10,030	85	748	(1,834)	(1,086)	9,029
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(229)	(229)	(229)
Non-controlling interests	(311)	(232)	—	50	(503)	(996)	(23)	—	—	—	(1,019)
Profit/(loss) attributable to equity holders of the Company	1,331	5,208	320	(123)	2,298	9,034	62	748	(2,063)	(1,315)	7,781
Other information:											
Depreciation and amortisation	730	235	1	319	933	2,218	115	11	29	40	2,373
Capital expenditure	390	270	—	192	498	1,350	36	38	1	39	1,425

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 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

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 2022										
	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)	17,677	6,146	991	10,461	34,811	70,086	2,521	8,612	5,638	14,250	86,857
Interests in associates	3,015	38,988	4,805	3,012	9,356	59,176	572	15,908	–	15,908	75,656
Interests in joint ventures	6	–	2,801	347	5,496	8,650	440	229	–	229	9,319
Total segment assets	20,698	45,134	8,597	13,820	49,663	137,912	3,533	24,749	5,638	30,387	171,832
Deferred tax assets											323
Total assets											172,155
LIABILITIES											
Segment liabilities	2,728	401	4	1,701	7,007	11,841	527	695	30,888	31,583	43,951
Taxation payable											862
Deferred tax liabilities											4,766
Total liabilities											49,579

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

	As at 31 December 2021										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	20,092	6,938	1,040	12,077	35,599	75,746	3,393	8,928	5,726	14,654	93,793
Interests in associates	2,960	36,076	5,186	3,353	9,380	56,955	817	17,437	—	17,437	75,209
Interests in joint ventures	10	—	3,047	378	5,409	8,844	7	23	—	23	8,874
Non-current assets held for sale	—	—	—	417	—	417	—	—	—	—	417
Total segment assets	23,062	43,014	9,273	16,225	50,388	141,962	4,217	26,388	5,726	32,114	178,293
Taxation recoverable											3
Deferred tax assets											394
Total assets											178,690
LIABILITIES											
Segment liabilities	3,945	214	18	1,888	8,676	14,741	648	1,006	30,352	31,358	46,747
Taxation payable											2,294
Deferred tax liabilities											4,851
Total liabilities											53,892

4 Other income and other (losses)/gains, net

	2022	2021
	HK$'million	*HK$'million*
Net (loss)/gain on deemed disposal of partial interest in associates	(3)	454
Net (loss)/gain on disposal of property, plant and equipment and right-of-use assets	(86)	10
Gain on deemed disposal of a subsidiary	—	17
Net changes in fair value of financial liabilities at FVTPL	—	(575)
Net changes in fair value of financial assets at FVTPL	(358)	(30)
Net changes in fair value of investment properties	7	21
Net allowance for credit losses of trade debtors and other debtors	(276)	(291)
Net exchange (losses)/gains	(481)	8
Operating indemnification (Note (a))	249	—
Gain on modification of contract terms for a concession arrangement (Note (b))	—	944
Dividend income from equity investments	92	88
Government grants	184	268
Others	37	67
	(635)	981

Notes:

(a) Amount being the indemnification from a non-controlling shareholder of a subsidiary in connection with the operation of the relevant subsidiary.

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

5 Finance income and costs

	2022	2021
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank and other deposits	186	123
Interest income from advance to a joint venture	21	77
Interest income from advances to associates	200	200
	407	400
Interest expense on:		
Bank loans	(444)	(312)
Notes payable	(1,022)	(1,219)
Loans from:		
– a non-controlling equity holder of a subsidiary	(14)	(23)
– a fellow subsidiary	(11)	(16)
– immediate holding company	(55)	(47)
Lease liabilities	(52)	(50)
Others	(263)	(179)
Total borrowing costs incurred	(1,861)	(1,846)
Less: amount capitalised on qualifying assets	—	31
Finance costs	(1,861)	(1,815)
Finance costs, net	(1,454)	(1,415)

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2021: 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 People's Republic of China ("**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to the PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

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

	2022	**2021**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	8	1
PRC corporate income tax	450	479
Overseas profits tax	158	275
Withholding income tax	174	176
Deferred taxation		
Origination and reversal of temporary differences	256	310
	1,046	1,241

7 Profit for the year

	2022	2021
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	2,307	2,218
Depreciation of property, plant and equipment	1,566	1,511
Depreciation of right-of-use assets	522	500
Amortisation of intangible assets	285	275
Auditor's remuneration (including fees for non-audit services)	10	10

8 Dividends

	2022	2021
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2021: 22 HK cents) per ordinary share	866	823
Final, proposed, of 60 HK cents (2021: 72 HK cents) per ordinary share	2,402	2,726
	3,268	3,549

At a meeting held on 31 March 2023, the Board proposed a final dividend of 60 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 2022 was based on 4,003,383,046 (2021: 3,785,619,729) shares in issue as at 31 March 2023.

9 Earnings per share

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

	2022	2021
Basic		
Profit attributable to equity holders of the Company (HK$'million)	7,781	8,144
Weighted average number of ordinary shares in issue	3,861,103,481	3,703,860,052

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential dilutive ordinary shares in issue for both 2022 and 2021.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$928 million (2021: HK$1,023 million).

The Group has a credit policy of allowing an average credit period of 90 days (2021: 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:

	2022	2021
	HK$'million	*HK$'million*
0 - 90 days	871	904
91 - 180 days	33	61
181 - 365 days	15	39
Over 365 days	9	19
	928	1,023

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$475 million (2021: HK$546 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	2022	2021
	HK$'million	*HK$'million*
0 - 90 days	419	473
91 - 180 days	18	25
181 - 365 days	7	4
Over 365 days	31	44
	475	546

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Directors have resolved to recommend the payment of a final scrip dividend of 60 HK cents per share, totalling HK$2,402 million for the year ended 31 December 2022 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 (2021: scrip dividend of 72 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 21 July 2023 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 12 June 2023 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 2 June 2023, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to the Shareholders on or around 15 June 2023. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**HKSE**") of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 21 July 2023.

The Company attaches great importance to shareholder returns and seeks to provide stable and sustainable returns to the Shareholders. Under the dividend policy of the Company, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial position and development plans of the Company. Subject to approval by the Shareholders in general meeting, the Company's targets dividend payout ratio is not less than 40% in the coming year. The Board will review the dividend policy as appropriate from time to time.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 29 May 2023 to 2 June 2023 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 25 May 2023.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be despatched to Shareholders whose names appear on the Register of Members after the close of business at 4:30 p.m. on Monday, 12 June 2023. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Monday, 12 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In 2022, recurrence of the COVID-19 pandemic, geopolitical tensions and inflation severely affected the global economic outlook and added more uncertainties to the global economic and trade development. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2023, the global economy was expected to increase by 3.4% year-on-year in 2022. In particular, developed economies and emerging and developing economies were projected to grow by 2.7% and 3.9% respectively. In the first half of 2022, the outbreak of the Russia-Ukraine conflict resulted in sanctions against Russia imposed by developed economies, with Europe and the United States taking the lead. As a result, the price of food, energy and other commodities increased sharply, which sparked a new round of global inflation and dampened trade and consumption demand worldwide. In the second half of 2022, international conflicts remained unresolved and geopolitical tension lingered. In order to cool down the forbidding inflation, the United States and the European Union expedited the tightening of their monetary policy and raised the benchmark rate for loans. These changes in global liquidity posed severe challenges to worldwide economic recovery. In addition, the recurrent COVID-19 pandemic added uncertainties to the global supply chain, which expedited the restructuring of industrial chain and supply chain.

In the face of the complex and volatile international situation and external environment, China conducted a unified planning of pandemic prevention and control along with economic and social development. Manufacturing activities in various regions fully resumed in an orderly manner, and considerable results had been achieved in the resumption of work and production. According to the National Bureau of Statistics of China, China recorded a year-on-year GDP growth of 3% in 2022 which was at the top position among the world's major economies. In the second half of 2022, by unleashing the synergy of various foreign trade stabilization policies, issues in relation to the freight rate, energy, funding and exchange rate in China were effectively resolved. Regional cooperation in trade among countries in the Asia-Pacific region was deepened continuously while the consumption demand showed a slow recovery trend. In general, China's economy withstood the impact arising from various unexpected factors, demonstrating strong resilience and growth potential with upward trend remaining unchanged in the long run. As China continued to deepen the supply-side structural reform, it was expected to rebound steadily while achieving stable and high-quality economic development. According to the statistics published by the General Administration of Customs, China's total foreign trade of import and export value amounted to RMB42.07 trillion in 2022, representing an increase of 7.7% over 2021, among which the total export value was RMB23.97 trillion, up by 10.5% year-on-year, while the total import value was RMB18.1 trillion, up by 4.3% year-on-year. The trade surplus was RMB5.87 trillion, up by 34.6%.

In the first half of 2022, the global supply chain was under pressure as a result of the recurring COVID-19 pandemic, and the strike action by workers of the ports in Europe and the United States continuously escalated. Coupled with the Russia-Ukraine conflict, the global commodity market was dramatically affected. These factors resulted in shipping routes adjustment, ship schedule delay, port congestion and container shortage from time to time. The container freight rate still increased as compared with the corresponding period last year despite its downward trend. In the second half of 2022, as the pandemic subsided, the ports in Europe and the United States resumed normal operations successively. The newly-acquired vessels and the orderly delivery of containers made the significant increase in shipping capacity, and the container freight rate entered a downward trend. The disruption of the maritime logistics supply chain was resolved.

The trade environment experienced accelerated change in 2022, leading the port and shipping market to shift from a state of rapid growth to fluctuating operation. Due to the structural changes in market demand, the demand for maritime transport was weakened with continuous differentiation of the market freight rate while the port productivity grew at a slow pace. The growth in the global container throughput in 2022 slowed down as compared with 2021. According to report published by global shipping consultancy Drewry, global container throughput increased by 0.9% year-on-year in 2022. 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 industry in Mainland China demonstrated a sustained growth. According to the data published by the Ministry of Transport of China in January 2023, the accumulated container throughput handled by the ports in Mainland China reached 296 million TEUs in 2022, representing an increase of 4.7% year-on-year. The accumulated cargo throughput was 15,685 million tonnes, representing an increase of 0.9% year-on-year.

In 2022, the Group's ports handled a total container throughput of 136.53 million TEUs, up by 1.1% as compared with last year, and bulk cargo volume of 547 million tonnes, down by 3.6% as compared with last year. For the year ended 31 December 2022, the Group's revenue amounted to HK$12,545 million, representing a year-on-year increase of 5.9%. Profits attributable to equity holders of the Company amounted to HK$7,781 million, representing a year-on-year decrease of 4.5%.

BUSINESS REVIEW

Ports operation

In 2022, the Group's ports handled a total container throughput of 136.53 million TEUs, up by 1.1% year-on- year. Among which, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 102.65 million TEUs, representing an increase of 1.2% year-on-year, which was mainly benefitted from the increase in container volume in West Shenzhen Port Zone, the Yangtze River Delta region and the Bohai Rim region in Mainland China. A total container throughput handled by the Group's overseas ports grew by 0.9% year-on-year to 33.88 million TEUs, which was mainly benefitted from the growth of terminal throughput of Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka, TCP Participações S.A. ("**TCP**") in Brazil and Terminal Link SAS ("**Terminal Link**"). Bulk cargo volume handled by the Group's ports decreased by 3.6% year-on-year to 547 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 541 million tonnes, representing a decrease of 3.5% year-on-year.

The gross throughput volume handled by the Group's container terminals for the year ended 31 December 2022 is as below:

Container Terminals	2022 thousand TEUs	2021 thousand TEUs	Year-on-year changes
Mainland China, Hong Kong and Taiwan	**102,653**	**101,470**	**1.2%**
Pearl River Delta region	**18,208**	**18,622**	**-2.2%**
West Shenzhen Port Zone	12,078	11,482	5.2%
China Merchants Container Services Limited and Modern Terminals Limited	4,849	5,654	-14.2%
Chu Kong River Trade Terminal Co., Limited	871	1,028	-15.3%
Guangdong Yide Port Limited	410	458	-10.5%
Yangtze River Delta region	**50,474**	**50,439**	**0.1%**
Shanghai International Port (Group) Co., Ltd.	47,300	47,032	0.6%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	3,174	3,407	-6.8%
Bohai Rim region	**28,727**	**27,091**	**6.0%**
Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited)	10,897	9,906	10.0%
Qingdao Qianwan United Container Terminal Co., Ltd.	9,349	8,543	9.4%
Tianjin Port Container Terminal Co., Ltd.	8,481	8,642	-1.9%
Others	**5,244**	**5,318**	**-1.4%**
Shantou China Merchants Port Group Co., Ltd.	1,630	1,800	-9.4%
Zhangzhou China Merchants Port Co., Ltd.	332	267	24.3%
Zhanjiang Port (Group) Co., Ltd.	1,234	1,222	1.0%
Kao Ming Container Terminal Corp.	2,048	2,029	0.9%
Other locations	**33,877**	**33,570**	**0.9%**
Colombo International Container Terminals Limited	3,215	3,060	5.1%
TCP Participações S.A.	1,156	1,101	5.0%
Lomé Container Terminal S.A.	1,603	1,626	-1.4%
Tin-Can Island Container Terminal Ltd.	300	320	-6.3%
Port de Djibouti S.A.	635	692	-8.2%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	1,209	1,248	-3.1%
Terminal Link SAS	25,759	25,523	0.9%
Total	**136,530**	**135,040**	**1.1%**

Pearl River Delta region

Benefitted from the increase in shipping routes, the West Shenzhen Port Zone handled a container throughput of 12.08 million TEUs, up by 5.2% year-on-year, and bulk cargo volume of 10.60 million tonnes, up by 0.4% year-on-year. Guangdong Yide Port Limited handled a container throughput of 0.41 million TEUs, down by 10.5% year-on-year, which was mainly due to the impact on container volume caused by international environment and rising inflation; and handled a bulk cargo volume of 6.27 million tonnes, up by 20.9% year-on-year, which was mainly benefitted from the steady growth in cargo volume due to the stable cooperation with steel plants in the southern hinterland developed by the terminal. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 0.87 million TEUs, declined by 15.3% year-on-year, which was mainly affected by the pandemic and changes in the freight rate, and handled a bulk cargo volume of 4.25 million tonnes, up by 33.9% year-on-year, which was mainly benefitted from the significant growth in sandstone business. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 4.85 million TEUs, down by 14.2% year-on-year, which was mainly affected by the pandemic and intensified regional competition.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 47.30 million TEUs, up by 0.6% year-on-year. Bulk cargo volume handled decreased by 5.1% year-on-year to 78.17 million tonnes. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 3.17 million TEUs, representing a decrease of 6.8% year-on-year.

Bohai Rim region

Liaoning Port Co., Ltd. handled a container throughput of 10.90 million TEUs, up by 10.0% year-on-year, which was mainly benefitted from the recovery of container shipping capacity for domestic trade and the growth of transshipment business in Bohai Rim region; and its bulk cargo volume handled was 254 million tonnes, down by 3.1% year-on-year.

Benefitted from the marketing policies and optimization of shipping routes, Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 9.35 million TEUs, representing an increase of 9.4% year-on-year. As the gravel business was affected by the tightened environmental policy, Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 13.64 million tonnes, representing a decrease of 22.7% year-on-year. Benefitted from the growth of iron ore business, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 72.21 million tonnes, representing an increase of 10.1% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 8.48 million TEUs, representing a decrease of 1.9% year-on-year.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 1.63 million TEUs, down by 9.4% year-on-year, which was mainly affected by the decrease in total container volume of foreign trade in Eastern Guangdong, and handled a bulk cargo volume of 3.81 million tonnes, up by 10.2% year-on-year, which was mainly benefitted from tapping into the local market of coal. Benefitted from the increase in transshipment cargoes, Zhangzhou China Merchants Port Co., Ltd. located in the Xiamen Bay Economic Zone handled a container throughput of 0.33 million TEUs, increased by 24.3% year-on-year, while its bulk cargo volume decreased by 3.4% year-on-year to 8.39 million tonnes. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 6.08 million tonnes for the year, up by 7.6% year-on-year, which was mainly benefitted from the synergistic growth of the grain business.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 1.23 million TEUs, up by 1.0% year-on-year. Due to the ongoing impact of domestic and foreign market fluctuations as well as the pandemic, bulk cargo volume decreased to various extents. Bulk cargo volume handled decreased by 13.0% year-on-year to 83.14 million tonnes.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung handled a total container throughput of 2.05 million TEUs, representing an increase of 0.9% year-on-year.

Overseas operation

In 2022, a total container throughput handled by the Group's overseas projects increased by 0.9% year-on-year to 33.88 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 3.22 million TEUs, up by 5.1% year-on-year, which was benefitted from the enhancement of terminal productivity. Hambantota International Port Group (Private) Limited ("**HIPG**")'s RORO terminal handled 0.56 million vehicles, up by 4.2% year-on-year. The bulk cargo volume handled by HIPG was 1.29 million tonnes, down by 16.8% year-on-year, which was due to shrinking import demand for raw materials as a result of the local political and economic conditions. TCP in Brazil handled a container throughput of 1.16 million TEUs for the year, up by 5.0% year-on-year, which was mainly attributable to the increase in throughput of certain shipping routes and the steady improvement of terminal handling services. Container throughput handled by Lomé Container Terminal S.A. in Togo decreased by 1.4% year-on-year to 1.60 million TEUs. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.30 million TEUs, representing a decrease of 6.3% year-on-year, which was mainly affected by the depreciation of the local currency, inflation and decrease in the purchasing power, resulting in a decline in imported cargo volume. Affected by the economic downturn in Ethiopia and the Russia-Ukraine conflict, Port de Djibouti S.A. in Djibouti handled a container throughput of 0.64 million TEUs, down by 8.2% year-on-year, and a bulk cargo volume of 4.09 million tonnes, down by 10.2% year-on-year. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 1.21 million TEUs, representing a decrease of 3.1% year-on-year; while bulk cargo volume handled was 0.15 million tonnes, up by 35.5% year-on-year, which mainly benefitted from the continued increase in export of construction materials. Terminal Link handled a container throughput of 25.76 million TEUs, up by 0.9% year-on-year.

Strategic deployments in the ports operation

In 2022, the Group adhered to the general tone of making progress while maintaining stability. The Group focused on growth, accelerated business transformation and improved production and operation steadily. Also, the Group strived for breakthroughs in seven key aspects, namely the development of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce. During the year, there were four highlights on the Group's business operation. First of all, the Group's container business continued its steady growth. Notwithstanding the fluctuating economic environment, the container business volume of West Shenzhen and overseas homebase ports hit record high against headwinds. Secondly, new progresses were made in innovative development. The Group actively explored model innovation to build an innovation-driven development platform, while cooperating closely with relevant entities to actively accelerate industrial digitalization and to strengthen the construction of the Mawan Smart Port to lower operating costs and enhance operating efficiency. Its key technology for the digitalization and intelligent transformation of container terminals was awarded one of the 2022 Major Scientific and Technological Innovation Achievements by the Ministry of Transport of China. Proactive efforts were made to promote the Mawan Smart Port solutions. Thirdly, the Group pushed forward development and optimization of capital operation with comprehensive planning. Continuing to enhance the efficiency of its assets, the Group completed the acquisition of equity interests in Asia Airfreight Terminal Company Limited ("**AAT**") and SIPG. Fourthly, scientific pandemic prevention was carried out to safeguard the national sea gate. With proper planning and determination, the Group was committed to fighting the pandemic, safeguarding the national gate, stabilizing its business, and ensuring smooth operation in all aspects. The Group also took the responsibility and initiative to provide supplies and assistance to Hong Kong in support of the fight against the COVID-19 pandemic.

As for homebase port construction, the Group adhered to the strategic objective of "building world-class leading ports" to further improve the comprehensive competitiveness of the West Shenzhen homebase port as a world-class port. Meanwhile, the Group continued to strengthen the integrated operation of the overseas homebase ports in Sri Lanka, with a view to developing the CICT + HIPG homebase ports into an international shipping centre in the South Asia region. During the year, the Mawan Smart Port maintained an efficient operation since its commencement, fully demonstrating its distinctive features as a modern port with smart systems, automatic equipment and standardized management. In addition, the coordinated ports model in the Guangdong, Hong Kong and Macau Greater Bay Area (the "**Greater Bay Area**") has been promoted to other regions on an ongoing basis. The Group efficiently propelled the development of the coordinated ports system covering the West Shenzhen Port Zone and the river ports in the Pearl River Delta region by integrating the functions of the blockchain platform of the coordinated port and the barge scheduling platform of the Pearl River Delta region, which helped significantly streamline trade and logistics development in the Greater Bay Area. In 2022, the Group had set up a total of 25 coordinated ports, and provided services to over 4,700 import and export enterprises in the Greater Bay Area. These ports received approximately 5,300 barges and 7,000 large vessels, recording a total volume of 0.26 million TEUs. As a result, the Group further strengthened the port alliance centered on the West Shenzhen homebase port with multi-dimensional business synergies. In respect of the overseas homeport, the Group continuously integrated the operation and management of CICT and HIPG in Sri Lanka, promoted the coordinated development of these two ports and actively engaged in business cooperation with shipping companies, with a view to sustaining steady business development.

Regarding overseas business, the Group kept abreast of changes in the global economy and trade environment and expedited the high-quality development of overseas business in full swing, which contributed to the steadfast growth in total container volume for the year. The Group leveraged on the Djibouti project to establish a new sea-air transportation and logistics channel between China and major African cities by collaboration with its strategic partners, which would shorten the transit time by approximately 50% as compared with full sea transportation, and lower the transportation cost by around 50% in comparison with full air freight. Having shipped cargoes to 16 major cities in 14 African countries, the Group further optimized its international logistics and supply chain services.

In pursuit of comprehensive development, the Group continued to adopt the "Port-Park-City" model and put effort in developing its international logistics and supply chain services. The Group also optimized the port ecosystem, extended its business reach and increased the cargo sources of its ports, striving to continuously expand the scope of its international logistics and supply chain services. In 2022, in response to the volatile global economy, the Group pressed ahead with the innovation of business models in overseas logistic parks and focused on developing customer network, while steadily continuing the promotion activities of induction of business and investment. As of the end of 2022, 40 contracted enterprises moved into the HIPG industrial zone, including tire factories, cement plants, yacht assembly yards and other key industrial projects. The Group consistently offered flexible and diversified service models to broaden the business base and improve the industrial chain of the park. Furthermore, 287 contracted enterprises moved into the Djibouti International Free Trade Zone, increasing by 91 enterprises as compared with the beginning of the year. The Djimart online e-commerce platform was upgraded with the addition of online UnionPay payment function, while partnering with the "Made by Liaocheng" offline showcase platform. Meanwhile, the Group strengthened port interaction for product and service development and provided customized services and products based on a customer-centric approach, in a bid to accelerate the transformation of business model from land and warehouse leasing to offering customers with comprehensive solutions.

In terms of 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 ("**SMP**"), and improved the relevant implementation plans, enhanced the digitalisation level of the Company and continued to promote the construction of Mawan Smart Port. For the "CMCore" platform, the Group commenced research and development of smart deployment, operation simulation and other features, carried out capacity expansion and verification for private 5G network, and introduced vehicle-road collaborative tests. The Group also began to research and develop the 3.0 version of the "CM ePort" platform, which was successfully launched in the West Shenzhen Port Zone for trial operation. The SMP platform combined the management systems to form an integrated platform covering the whole process, all scenarios and entire system of the business. Hence, the Group could achieve full digital management of the business process. The Group presented and analysed core business data globally to create the one-stop operational dashboard for decision-making, management and execution purposes, which facilitated management decision-making. Combining the top-level design and the iterative development model, the SMP platform encouraged changes in operating and management practices, models and philosophy driven by digital technology and the use of intelligent tools.

Regarding capital operation, the Group continued to promote the dual-wheel drive model of "asset operation + capital operation". During the year, the Group completed the acquisition of 14.6% equity interests in AAT with its shareholding increased to 34.6%, which helped create synergies among the Group's terminal operation, bonded warehousing and airport businesses of Hong Kong. It also provided expansion of the Group's airport business and facilitated the development of the logistics and supply chain in the Greater Bay Area. Following the acquisition of the equity interests in SIPG, the Group's shareholding percentage in SIPG went up from 26.64% to 28.05%. The acquisition allowed the Group to utilise the available funds for a return and continue to boost the profitability of its asset.

In respect of operation management, centering on resource efficiency, the Group established a closed-loop management system covering the full cycle of investment management, project construction and management, operation and maintenance management, and asset disposal management, with the aim of enhancing its service capability, quality and efficiency. The Group also gradually optimized the resources allocation standards and management standards by adhering to the principle of lean management, and developed the Enterprise Assets Management Information System ("**EAMIS**") as the platform for monitoring the dynamics and performance of resources, in order to promote the in-depth development of the operation management system.

As for marketing and commerce, the Group kept cooperating with major shipping companies and improved the port conditions to ensure routes stability. Concurrently, the Group identified the pain points in the market, connected cargo owners, traders and other demand entities by capitalizing on technological reform, and expanded the platform ecology services, thereby facilitating the Group's transition from "volume economy" into "value economy".

Bonded logistics operation

In 2022, the Group continued to pursue the development direction of diversifying integrated services of its bonded logistics business and targeted to enhance the utilisation rate of resources at 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 reached 98%, as a result of active exploration of resources and service models. China Merchants International Terminal (Qingdao) Co., Ltd. stabilized major customer base and continued to enhance service level, and accordingly its average utilisation rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 90% of its warehouses. In the Djibouti International Free Trade Zone, the average utilisation rate of the bonded warehouse wholly-owned by the Group was 95%, and the average utilisation rate of the bonded warehouse, which the Group invested in, was 100%.

In 2022, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 3.53 million tonnes, down by 16.9% as compared with the previous year. AAT, which is a joint venture of the Group, handled a total cargo volume of 0.71 million tonnes, representing a decrease of 17.4% year-on-year and a market share of 20.0%, down by 0.3 percentage point as compared with last year.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded revenue of HK$12,545 million, up 5.9% year-on-year, which was mainly due to the increase in the tariff of ports operation. Profits attributable to equity holders of the Company amounted to HK$7,781 million, representing a decrease of 4.5% year-on-year, which was mainly due to a net gain of HK$407 million (net of tax) on the deemed disposal of partial interest in associates included in last year. The recurrent profit [Note 1] increased by 7.7% year-on-year to HK$8,121 million, which was due to the combined effect of the increase in revenue and increase in share of profits of associates of the Group.

Total assets of the Group decreased by 3.7% from HK$178,690 million as at 31 December 2021 to HK$172,155 million as at 31 December 2022, which was mainly due to the impact of retranslation arising from the depreciation of Renminbi. Total liabilities of the Group decreased by 8.0% from HK$53,892 million as at 31 December 2021 to HK$49,579 million as at 31 December 2022, which was mainly due to the combined effect of repayment of bank loans and notes payable and the depreciation of Renminbi. As at 31 December 2022, net assets attributable to equity holders of the Company was HK$96,969 million, down by 1.3% as compared to that as at 31 December 2021 which was mainly attributed to the losses from retranslation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar, Brazilian Real or other currencies 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 thus maintaining foreign exchange risk at a manageable level.

Note 1 Profits attributable to equity holders of the Company net of non-recurrent losses/gains after tax. Non-recurrent losses/gains include: for 2022, net change in fair value of financial assets at fair value through profit or loss, net change in fair value of investment properties and net loss on deemed disposal of partial interest in an associate; while 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 and net gain on deemed disposal of a subsidiary and partial interest in associates.

In general, the Group's ports operation continued to yield stable cash inflow. For the year ended 31 December 2022, the Group's net cash inflow from operating activities amounted to HK$8,781 million, which remained basically the same as compared with corresponding period of last year, among which, the receipt of cash dividends from associates and joint ventures were HK$2,592 million, a decrease of 22.6% year-on-year. Due to the increase in capital expenditure on associates and joint ventures year-on-year while the funds placed as structured deposits decreased year-on-year, the Group's net cash outflow from investing activities decreased from HK$4,082 million for the same period last year to HK$3,824 million for the current year. At the same time, in June 2022, the Group issued the US$500 million guaranteed listed notes maturing in 2027, and repaid guaranteed listed notes of US$500 million and unlisted notes of RMB2,500 million during the curent year, the net cash outflow from financing activities decreased from HK$6,129 million for the same period last year to HK$4,904 million for the current year.

LIQUIDITY AND TREASURY POLICIES

As at 31 December 2022, the Group had approximately HK$9,629 million in cash and bank balances, 1.4% of which was denominated in Hong Kong dollar, 12.1% in United States dollar, 72.7% in Renminbi, 8.7% in Euro, 4.4% in Brazilian Real and 0.7% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK$8,781 million in total.

During the year, the Group incurred capital expenditure amounting to HK$1,425 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$26,198 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 2022, the Company had 4,003,383,046 shares in issue. During the year, the Company issued 217,763,317 shares under the Company's scrip dividend scheme.

As at 31 December 2022, the Group's net gearing ratio [Note 2] was approximately 21.1%.

The Group had aggregate bank loans, listed notes payable and perpetual capital securities of HK$22,032 million as at 31 December 2022 that contain customary cross default provisions.

As at 31 December 2022, the Group's outstanding bank and other borrowings amounted to HK$34,529 million (as at 31 December 2021: HK$36,782 million). The analysis is as below:

	2022	**2021**
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	7,867	5,730
Between 1 and 2 years	592	1,169
Between 2 and 5 years	4,043	2,866
More than 5 years	627	938
	13,129	10,703
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	224	61
Between 1 and 2 years	—	820
Between 2 and 5 years	28	31
More than 5 years	—	—
	252	912

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

	2022	2021
	HK$'million	*HK$'million*
Floating-rate listed notes payable which are repayable:		
In 2022	—	411
Fixed-rate listed notes payable which are repayable:		
In 2022	—	3,896
In 2023	7,008	6,998
In 2025	3,890	3,888
In 2027	3,885	—
In 2028	4,638	4,633
	19,421	19,415
Fixed-rate unlisted notes payable which are repayable:		
In 2022	—	3,062
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	4	77
Between 1 and 2 years	217	—
Between 2 and 5 years	—	239
More than 5 years	48	145
	269	461
Loan from immediate holding company		
Repayable within 1 year	1,458	1,314
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	—	504

Note: All loans are unsecured except for the secured bank loans of HK$1,241 million (2021: HK$2,307 million).

The bank and other borrowings are denominated in the following currencies:

	Bank loans	Notes payable	Loans from a fellow subsidiary	Loan from immediate holding company	Loan from a non-controlling equity holder of a subsidiary	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
As at 31 December 2022						
HKD & USD	1,721	19,421	—	—	—	21,142
RMB	10,950	—	269	1,458	—	12,677
EURO	381	—	—	—	—	381
Brazilian Real	329	—	—	—	—	329
	13,381	19,421	269	1,458	—	34,529
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

ASSETS CHARGE

As at 31 December 2022, bank loans of HK$313 million (2021: HK$619 million) borrowed by subsidiaries of the Company were secured by right-of-use assets with carrying value of HK$37 million (2021: property, plant and equipment with carrying value of HK$356 million and right-of-use assets with carrying value of 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$928 million (2021: HK$1,688 million).

EMPLOYEES AND REMUNERATION

As at 31 December 2022, the Group employed 8,425 fulltime staff, of which 167 worked in Hong Kong, 5,309 worked in Mainland China, and the remaining 2,949 worked overseas. The remuneration paid by the Group during the year amounted to HK$2,307 million, representing 27.2% of the total operating expenses of the Group.

Given the accelerated consolidation of the port industry for expanding the global reach with constant upgrade of smart ports and increasingly diversified development, endogenous growth as well as transformation and upgrade imposed stricter requirements and challenges to the demand for talents. In 2022, the Group formulated a new human resources planning through in-depth analysis on the supply and demand of human resources in accordance with the future development strategy. Focusing only on the value of positions, the Group optimized the seven major measures for the human resources management mechanism, developed four teams and perfected the implementation of four key guarantees. The Group continued to optimize the remuneration incentive mechanism and explored diversified incentive system, with a view to providing essential and solid support for the implementation of human resources planning.

In 2022, the Group realized full coverage of and solid commitment to the tenure system and contract-based management through comprehensive implementation. Adhering to the principle of giving priority to efficiency while taking fairness into consideration, the Group optimized the market-based remuneration and distribution mechanism, reinforced the benchmarking of business performance and remuneration, and attached equal importance to incentives and restraints. The Group coordinated management at all levels and increased the proportion of their performance-based remuneration while strengthening the application of appraisal results. The remuneration and distribution have been redirected to high-caliber teams and employees who created values, talents who made outstanding contribution and front-line staff by improving allocation of resources and strengthening performance-oriented distribution. The Group continued to optimize the performance bonus distribution plan of senior management based on the vertical comparison among internal employees and horizontal comparison with industry peers and supplemented by the evaluation of short-term Key Performance Indicators (KPIs) and medium-to-long-term strategies. Deferred bonus was granted to middle and senior management and targeted incentives were provided to key employees so as to facilitate the achievement of strategic goals. Directors' remuneration is determined with reference to their position and responsibilities in the Company, experience and prevailing market condition.

In 2022, in light of the complex global environment under the pandemic, the Group took to heart the physical and mental health of the frontline employees from multiple dimensions by distributing anti-pandemic supplies and granting anti-pandemic subsidies through its health management platform for overseas employees, which not only facilitated the prevention and control of the pandemic, but also fostered a harmonious and warm working environment.

CORPORATE SOCIAL RESPONSIBILITY

While being committed to continuously 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 both the enterprise and society by incorporating corporate social responsibilities into its daily operations and business practices.

The Group thoroughly implemented the new development concept of innovation, coordination, green, openness and sharing. Adhering to the people-oriented philosophy and insisting on green development, the Group established an environmental, social and governance ("**ESG**") system in an all-round manner through extensive consultation, joint contribution and sharing, aiming to promote the Company's high-quality green and sustainable development at domestic and abroad and enhance its ESG governance level on an ongoing basis.

The Group actively responded to the national strategies of energy security and low-carbon transformation with an aim to build an enterprise of ecological green ports that strictly abided by relevant environmental protection laws and regulations. The Group continued to enhance awareness of low-carbon development, strengthened energy conservation and emission reduction management during the construction, production and operation of domestic and foreign projects and promoted the construction of green ports, striving to minimize the impact of business operation on the environment and natural resources. In order to achieve the development goal of "energy conservation and efficiency enhancement", the Group continued to expand the application of various new energy-saving technologies and products, such as shore-powered supply for vessels (船舶岸基供電), revolve container machine and clean energy, at the same time gradually exploring the application of renewable energy and prioritizing the use of environmentally friendly and efficient equipment so as to improve energy utilization efficiency and reduce fuel consumption effectively.

The Group attached great importance to the protection of ecological diversity and devoted significant efforts in minimizing the impact of the port operation on the ecosystem of the site where the projects were located and its surrounding area. The Group also preserved ecological habitats and biodiversity by utilizing land resources in a more rational way. As the Group unceasingly adopted measures for minimizing the impact of its operation on the neighborhood and marine life, CICT organized a seminar on the topic of prevention and control of marine pollution while HIPG continued to push forward the "Human-Elephant Peace" project to save elephants under the elephant conservation initiative in cooperation with the Department of Wildlife Conservation of Sri Lanka. In China, Zhangzhou port upgraded its mechanical equipment in order to meet the requirements of environmental protection in terms of dust and noise control during operations, thereby restoring the disturbed areas.

Adhering to the concept of "safety first, prevention oriented, and integrated control", the Group strictly complied with the laws, regulations and standards related to health and safety issues and remedial methods in the regions where it operated regarding the services provided, and fully implemented the main responsibilities in respect of occupational health and production safety of an enterprise. The Group cared for the work and life of every employee attentively, and was committed to creating a workplace that advocates work-life balance and providing health and welfare benefits for its employees. The Group had been improving various facilities and providing a variety of heartwarming services, such as setting up libraries and activity centers, establishing health centers with advanced medical devices and professional medical personnel and providing family doctor services, which further protected the physical and mental health of domestic and overseas employees.

In 2022, in the face of the pandemic, the Group implemented the most stringent pandemic prevention and control measures in production and operation. During the outbreak of the pandemic in Shenzhen in March, the West Shenzhen Port Zone responded to the pandemic with scientific and targeted measures in a balanced, holistic and precise manner, aiming to achieve the greatest prevention and control results at the lowest cost. Leveraging on the synergies between regular targeted prevention and control measures and local emergency response, the Group survived multiple waves of pandemic and ensured safety and stability of its overall production and operation, at the same time protecting the health of employees and supporting pandemic prevention of the community. In respect of providing supplies and assistance to Hong Kong, the West Shenzhen Port Zone launched a special shipping route to Hong Kong, which guaranteed an efficient channel for goods supply in support of the fight against the pandemic. In 2022, the special shipping route to Hong Kong reached 4,051 voyages and served export laden containers of 0.20 million TEUs without waiting for berth and without backlog at container yard. The West Shenzhen Port Zone has become the port with the shortest distance and time of transport, the highest frequency of shipping and the largest transportation capacity from Shenzhen to Hong Kong.

Upholding the concept of integration for mutual benefit, the Group always focused on the needs of sustainable development in the community where it operates and made contribution to the development of a community with a shared future for mankind by supporting the local community in terms of employment, education and medical development. During the year, the Group initiated the "China Merchant Silk Road Hope Village (招商絲路愛心村)" Programme in Sri Lanka and created job opportunities for and improved the living environment of the locals in a bid to enhance their living standards and establish a new harmonious village with happiness. The Group encouraged employees to actively participate in various voluntary charity events and volunteered their time and talents to serve the community and the environment. The Group joined hands with nearby communities for charity works, striving to bring positive impacts on the society and actively fulfilling its corporate social responsibilities.

FUTURE PROSPECTS

Looking into 2023, as the energy shock triggered by the Russia-Ukraine conflict continues to boost inflation, coupled with the post-pandemic impact, the economic recovery will be disrupted and a phase of sluggish global economic growth is envisaged. Economies will face varying degrees of inflation and the potential crisis of energy, food and debt, raising uncertainties for the global economy. Continued geopolitical tensions and the rise of unilateralism and protectionism have increased the risk of supply chain and industrial chain restructuring. Besides, a significant increase in extreme weather events will pose another risk to international production and transportation activities. Despite these, the probable release of pent-up demand from some economies and the accelerating decline in inflation will likely provide a strong economic boost, offsetting some of the downside risks. China will continue to implement the new development concept, accelerate the construction of new development patterns, promote high-quality development, strive to safeguard principal markets and ensure stable employment and price stability, and expand effective demand. In addition, China will propel the reform, consolidate the foundation of economic recovery and development, maintain its economic performance within a reasonable range, continue to inject new growth momentum into the global economy and make key contributions to supporting the recovery of the world economy.

In 2023, China will focus on promoting high-quality development, generally deepening reform and opening up, boosting market confidence, combining the strategy of expanding domestic demand with in-depth supply-side structural reform, and driving the overall improvement in economic performance to achieve effective upgrade in quality and reasonable growth in quantity. With the gradual launch of various economic stabilisation policies and the continued release of the effects of various trade agreements, the flow of transnational trade commodities is expected to be further enhanced, strengthening the momentum of commodity imports and exports and thereby providing new growth opportunities for the port industry. Furthermore, the collaborative transformation development of port digitization and greening will also inject new growth momentum into the port industry.

In 2023, as the pandemic mitigates, container supply will continue to rise and the structural mismatch between supply and demand will be alleviated. Container freight rates in the shipping market will continue to fall and are expected to return to the normal pre-pandemic level. According to Drewry, a global shipping consultancy, the easing of supply chain congestion will increase the effective shipping capacity in the maritime freight transport market. The efficiency of port operations will be improved, and the growth rate of transportation capacity of global maritime container will tend to be normalized.

Based on the above analysis and judgements, the Group will continue to focus on the keynote of seeking progress while maintaining stability. Pursuing the dual-wheel drive model of "endogenous growth" and "innovation and upgrade", the Group will strive to enhance the capabilities in expanding the homebase ports, promoting innovation, optimising operation, expanding the layout plan, seeking business opportunities and preventing risks. The Group will constantly push forward the overall high-quality development, spare no effort to start a new development journey, and improve digitalisation, marketisation, internationalisation, platformisation and intellectualization to realize its strategic goal of becoming a "world's leading comprehensive port service provider with high quality".

With respect to the construction of homebase ports, the West Shenzhen Port Zone will adhere to the strategic goal of making China a strong construction and transportation country. The Group will continuously enhance service quality and refine the infrastructure construction, put focused efforts to enhance the quality and quantity of the blockchain coordinated port business, optimise the logistics supply chain layout in the Greater Bay Area and enhance the function of the barge network platform in the Pearl River Delta to improve various comprehensive service capacity. In 2023, the Mawan Smart Port will continue to optimise and develop the unmanned container trucks project, focus on the research of new energy container trucks model and form a smart port with the characteristics of the Group. In terms of overseas homebase ports, the Group will endeavor to facilitate the steady development of building a strong regional port, continue to develop integrated operations, enhance the integrated services in port regions, further strengthen the cooperation with all parties such as shipping companies, and continuously develop overseas CICT + HIPG homebase ports into a pair of international shipping centers in the South Asia region.

In respect of overseas business, the Group will continue to optimise its overseas presence steadily, further improve the interconnection and interoperability between overseas ports, improve overseas risk management capabilities, optimise risk control models and enhance risk management. Further leveraging the regional influence of its overseas terminals, the Group will push ahead the construction of overseas projects at key international logistics nodes, expand incremental capacity at a high level, and actively further explore the extension of supply chain at the port, while strengthening the building of overseas talent teams and putting more efforts in improving quality and efficiency in order to enhance the standard of overseas business.

In terms of comprehensive development, the Group will carry out innovative businesses based on its main business and take active measures to explore its potential. The Group will be committed to the effective planning and construction for the comprehensive development in China, focus on innovative businesses in bonded logistics, expand its business into segments such as smart technology industrial park, and actively explore new growth drivers for customer services in the park. In view of overseas comprehensive development, the Group will continue to refine the "Port-Park-City" comprehensive development model, providing customized integrated service solutions and industrial incubation functions on the basis of the existing park development and induction of business and investment model. Meanwhile, the Group will strengthen the synergistic effect among its businesses internally to form a synergy of customer attraction, capacity enhancement and service upgrade.

Regarding innovative development, the Group will stick to industrial transformation and upgrade driven by innovation and technology empowerment. 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 promote intelligent production and operation within the terminals. CTOS has been successfully approved by the Ministry of Transport of China as a major research and development project, which will scientifically and efficiently make breakthroughs for key and core technologies of CTOS and ensure the quality of such research and development. 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 accomplish the full-coverage of version 3.0 on the Group's controlled ports in Mainland China, and explore and develop an open platform for intelligent ports. The Group will promote cooperation in the form of industry-academia-research and joint laboratories to enhance the research and development of technology and promote its application.

In respect of capital operation, the Group will constantly push ahead the initiatives of optimising the asset structure to drive financial value creation and reduce investment risks, enhance the capital operation capability of existing assets and improve tax planning and capital management capability. The Group will continue to promote the dual-wheel drive model of "asset operation + capital operation" and further explore and enhance the value of the existing assets. In addition, the Group will explore the model of integrating light and heavy assets, improve the operation plans of investment and mergers and acquisitions as well as its capital operation plans, continue to optimise asset allocation and promote endogenous growth in order to enhance asset value returns.

In terms of operation management, aiming at the world-class level with high quality, the Group will continue to accelerate the establishment of operation management system oriented with "empowerment, professionalism and value" to continuously enhance its overall operation and management, thereby fostering "endogenous growth". Focusing on the Group's strategies, the Group will continue to consolidate its efforts in enhancing the quality and efficiency. By continuously deepening the formulation and operation of our SMP system, the Group will continue to promote the development of management standards of various operations. By using EAMIS as the platform for monitoring the dynamics and performance of resources, the Group will accelerate the development of investment management information system to achieve systematic, regulated and standardized asset management. Besides, the Group will strengthen the internationalized management, operational monitoring, analysis and assessment, and further improve the interconnection and interoperability between overseas ports to ensure a safe and stable supply chain.

With regard to marketing and commerce, the Group will maintain the cooperation with major shipping companies and strengthen the interaction with key end-customers in order to enhance customer service. Focusing on market expansion into high-value and high-quality cargo categories, the Group will expand the coverage of its logistics supply chain and provide "customised" terminal services to enhance customer satisfaction. The Group will strengthen the business synergies among ports, expand into the Southeast Asian market, create prime shipping routes, and increase routes concentration and the proportion of local sources. Meanwhile, the Group will continue to improve the development of the market commerce system, and construct a collaborative platform via shaping the integration, platformisation and digitalisation. The Group will also strengthen the research and development of bonded, commerce and trade related extension platforms, and put stepped-up efforts in business expansion into cross-border e-commerce logistics to extend the supply chain and enhance customer loyalty through endogenous extension.

Looking forward, the Group will continue to seize the development opportunities in the new era based on the new development stage, aim at high-quality development, accelerate the technology-led and innovation-driven development, and achieve the global scientific layout and balanced development. By providing world-class professional solutions for integrated port services to enhance its core competitiveness, the Group will be devoted to becoming a "world's leading comprehensive port service provider with high quality". The Group will create more returns for Shareholders while generating higher value for all stakeholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five Independent Non-Executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial report matters including the review of the audited financial statements for the year ended 31 December 2022 and the 2022 annual results.

CORPORATE GOVERNANCE

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

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

In the opinion of the Board, the Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which set out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the year ended 31 December 2022, except the following:-

In respect of Code Provision F.2.2 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 2 June 2022 due to business trip. Mr. Yim Kong, the then Executive Director and the then Managing Director 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, the chairman of the Audit Committee, other members of the Board and Board committees and the external auditor were present at the annual general meeting of the Company held on 2 June 2022 to answer Shareholders' questions, in compliance with other parts of the Code Provision F.2.2.

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

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

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

SUBSEQUENT EVENTS

Mr. Kut Ying Hay has resigned as an Independent Non-executive Director, the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company with effect from 21 March 2023.

Ms. Chan Yuen Sau Kelly has been appointed as an Independent Non-executive Director, the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company with effect from 21 March 2023.

Save as disclosed above, no significant events occurred after the end of the reporting period.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE HKSE

The 2022 annual report will be despatched to Shareholders and published on the website of the HKSE at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

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

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises Mr. Deng Renjie (Chairman), Mr. Yim Kong and Mr. Yang Guolin as Non-Executive Directors; Mr. Wang Xiufeng, Mr. Xu Song, Mr. Tu Xiaoping and Mr. Lu Yongxin as Executive Directors; and Mr. Bong Shu Ying Francis, Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly, Mr. Li Ka Fai David and Ms. Wong Pui Wah as Independent Non-Executive Directors.