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
2022

30th
1992—2022

30th Anniversary of CMPort's IPO
SEHK Stock Code: 00144

Contents

	2022 HK$'million	2021 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**12,545**	11,850	5.9%
Profit attributable to equity holders of the Company	**7,781**	8,144	(4.5%)
Non-recurrent losses/(gains), net of tax[1]	**340**	(607)	(156.0%)
Recurrent profit	**8,121**	7,537	7.7%
Earnings per share (HK cents)			
Basic	**201.52**	219.87	(8.3%)
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	0.0%
Final dividend	**60.00**	72.00	(16.7%)
	82.00	94.00	(12.8%)
Consolidated statement of financial position highlights			
Total assets	**172,155**	178,690	(3.7%)
Capital and reserves attributable to equity holders of the Company	**96,969**	98,262	(1.3%)
Net interest-bearing debts and lease liabilities[2]	**25,850**	27,728	(6.8%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**8,781**	8,785	0.0%

	2022 HK$'million	2021 HK$'million	Year-on-year changes
Revenue			
Ports operation	11,833	11,069	6.9%
Bonded logistics operation	522	560	(6.8%)
Other operations	190	221	(14.0%)
Total	12,545	11,850	5.9%
EBITDA[3]			
Ports operation	6,435	6,066	6.1%
Bonded logistics operation	232	214	8.4%
Other operations	164	148	10.8%
Total	6,831	6,428	6.3%
Share of profits less losses of associates and joint ventures	8,112	7,254	11.8%
Non-recurrent (losses)/gains	(376)	825	(145.6%)
Corporation function	(665)	(180)	269.4%
Finance costs, net	(1,454)	(1,415)	2.8%
Taxation	(1,046)	(1,241)	(15.7%)
Depreciation and amortisation	(2,373)	(2,286)	3.8%
Non-controlling interests and holders of perpetual capital securities	(1,248)	(1,241)	0.6%
Profit attributable to equity holders of the Company	7,781	8,144	(4.5%)

1 For 2022, include net loss on deemed disposal of partial interest in an associate, net of tax of HK$3 million, net change in fair value of investment properties, net of tax of HK$5 million, and net change in fair value of financial assets at fair value through profit or loss, net of tax of HK$342 million. 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.

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 (losses)/gains, corporate function, profit attributable to non-controlling interests and holders of perpetual capital securities.

42 Ports *in*
25 Countries *and* Regions
on **6** Continents

CORPORATE PROFILE

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

China Merchants Port Holdings Company Limited ("**CMPort**" or the "**Company**") and its subsidiaries' (the "**Group**") 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 brings economic benefits to the regions and enhances the value creation for its stakeholders.

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 with high quality". Pursuing the dual-wheel drive model of "endogenous growth" and "innovation and upgrade", 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 2022

MARCH

The Group completed the acquisition of 14.6% equity interests in Asia Airfreight Terminal Company Limited ("**AAT**") to 34.6%. AAT is one of the three air cargo terminal concessionaires franchise awarded by the Airport Authority Hong Kong. Hence, the increase in shareholding in AAT created synergies among the Group's terminal operation, bonded warehousing and airport businesses in Hong Kong and facilitated the development of the logistics and supply chain in the Guangdong-Hong Kong-Macao Greater Bay Area.

APRIL

The Group acquired an aggregate of 328,750,659 Shanghai International Port (Group) Co., Ltd. ("**SIPG**") shares for an aggregate consideration of RMB1,894 million (equivalent to approximately HK$2,338 million). Upon the completion of the acquisition, the Group held approximately 28.06% of the total issued share capital of SIPG. The group was optimistic on the future prospects and profitability of SIPG, and increasing its shareholding would enhance the Group's return on investment.

DECEMBER

The Board established an environmental, social and governance committee (the "**ESG Committee**") on 8 December 2022. The ESG Committee is mainly responsible for reporting to the Board matters relating to the Group's environmental, social and governance practices, as well as monitoring the formulation and implementation of the Group's vision, strategies, goals and policies regarding environmental, social and governance issues.

The Board appointed Mr. Chan Hui Fung Nicholas as an Independent Non-executive Director of the Company with effect from 8 December 2022 to improve Board independence.

The Group transferred 51% of equity interest in Guangdong Yide Port Co., Ltd. to China Merchants Port Group Co., Ltd. for a total consideration of RMB132 million (equivalent to approximately HK$145 million). It enabled the Group to optimise and realign its interests, equity and operations in or of its assets, with a view to harmoniously improve efficiency.

SEPTEMBER

The Board appointed Ms. Wong Pui Wah as an Independent Non-executive Director of the Company with effect from 2 September 2022 to realise Board gender diversity.

JUNE

The Group issued US$500 million guaranteed notes with an issuance interest rate of 4.00% due 2027 to be used for general corporate purposes by the Group, including the repayment of existing indebtedness.

CHAIRMAN'S STATEMENT

It is with great delight that I present China Merchants Port Holdings Company Limited (the "**Company**") and its subsidiaries' (the "**Group**") 2022 annual report and its audited financial statements for the year ended 31 December 2022.

In 2022, the Russia-Ukraine conflict and other "Black Swan" events continued to have worldwide impacts. Meanwhile, we faced the escalation of regional geopolitical tension, a new wave of global inflation, and prolonged volatility in interest rate and exchange rate. Due to increasing uncertainties, the path to global economic recovery was unstable and uneven, which presented challenges to daily business operations and management. In view of the complexity in the external environment, the Group strived to achieve the strategic goal of becoming "a global leading comprehensive port service provider with high quality". While coping with risks and challenges proactively, the Group enhanced its core competitiveness in several aspects such as port operation, construction of homebase ports, overseas business, comprehensive development, innovative development and capital operation. By actively undertaking all major tasks, the Group accomplished the strategic goals and successfully completed all operational objectives for the year.

In 2022, the Group's overall operating performance achieved satisfactory results and recorded steady business growth. In terms of port operation, the global port projects invested by the Group delivered a container throughput of 136.53 million TEUs during the year, up 1.1% over the year of 2021. In respect of the development of homebase ports, the Group continued to transform the West Shenzhen homebase port into a world-class leading port and improved its intelligence operation. At the same time, the coordinated port model in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**") was extended to 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. In terms of overseas business, the Group seized the opportunities arising from adjustment on global economic and trade, so as to actively expand the business cooperation with shipping companies at the Sri Lanka homebase port to push up container throughput. As for comprehensive development, the Group continued to advance the comprehensive development model of "Port-Park-City", focused on moving forward with its international logistics supply chain services and achieved steady growth in the number of enterprises in the Djibouti and Sri Lanka industrial parks. In connection with innovative development, the "CMCore" platform, the "CM ePort" platform and the "Smart Management Platform" ("**SMP**") were further developed to support industrial digitalization and digital industrialization. In respect of capital operation, the Group boosted the investment return of resources and enhanced its influence with the "asset operation + capital operation" model. Regarding operation management, the Group continued to establish the value-creating operation management system through digital means, such as the SMP platform and the Enterprise Assets Management Information System (EAMIS). With regard to marketing and commerce, the Group tapped into different information platforms to meet the demands of customers, so as to drive the transition from "volume economy" to "value economy".

OPERATING RESULTS

In 2022, the Group's revenue reached HK$12,545 million, representing an increase of 5.9% year-on-year, which was mainly due to the combined effects of higher business volume and fee rates of its ports. Profit attributable to equity holders of the Company amounted to HK$7,781 million, representing a decrease of 4.5% year-on-year. Of this amount, recurrent profit [Note 1] was HK$8,121 million, increased by 7.7% over 2021.

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 60 HK cents per ordinary share. Together with the interim dividend of 22 HK cents per share, the total dividend for the year amounted to 82 HK cents per ordinary share, representing a full-year payout ratio of 42.0%. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the final dividend for ordinary shares will be payable on or around 21 July 2023 to shareholders whose names appear on the register of members of the Company on 12 June 2023.

REVIEW FOR THE YEAR

In 2022, global economic and trade recovery was affected by unanticipated events. 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 and sparked a new round of global inflation. This not only accelerated production and supply chain restructuring, but also dampened trade and consumption demand worldwide. In the second half of 2022, international conflicts remained unresolved and geopolitical tension lingered. In order to combat rising inflation, the United States and the European Union expedited their monetary policy tightening and raised the benchmark rate for loans. These changes in global liquidity incurred uncertainties to worldwide economic and trade recovery. Throughout the year of 2022, the supply capacity of the production side was generally under the pressure of the pandemic, rising inflation, geopolitical conflicts, and the energy and food crisis. Meanwhile, the recovery of the consumption side was also tempered. 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. It was estimated that developed economies and emerging and developing economies would grow by 2.7% and 3.9% respectively.

Note 1 Profit 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 2022, China coordinated pandemic prevention measures effectively and supported the steady and high-quality growth in foreign trade amid the resurgence of the pandemic and the complex international environment. A range of policies and actions were introduced to sustain economic growth and help navigate through the shock of unexpected events. China also made the strategic move to stimulate domestic demand and promoted the "dual circulation" economic model. With a focus on high-quality development, China accelerated the establishment of the new development pattern which led to steady economic growth. 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% from 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.

In 2022, the structural changes in market demand led to the slowdown of port container throughput growth globally as compared to 2021. The Group's port operation recorded a total container throughput of 136.35 million TEUs, representing an increase of 1.1% from last year, and a bulk cargo volume of 547 million tonnes, representing a decrease of 3.6% from last year. Looking into the regional performance, Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 102.65 million TEUs, up by 1.2% year-on-year; and overseas operations delivered a container throughput of 33.88 million TEUs, up by 0.9% year-on-year. Among the major ports in the Group's portfolio, container throughput handled by the West Shenzhen Port Zone was 12.08 million TEUs, up by 5.2% year-on-year, which mainly benefitted from the increase in shipping routes. Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 47.30 million TEUs, representing a year-on-year increase of 0.6%. Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka delivered a year-on-year growth of 5.1% with a container throughput of 3.22 million TEUs, which was attributable to the increase in terminal productivity. The RORO and bulk cargo operations of Hambantota International Port Group (Private) Limited ("**HIPG**") were well underway, and the RORO terminal handled 0.558 million vehicles, up by 4.2% year-on-year. Bulk volume decreased to 1.29 million tonnes, representing a contraction of 16.8% year-on-year, due to the economic downturn in the local area and the drastic decline in the import of raw materials. TCP Participações S.A. in Brazil handled a container throughput of 1.16 million TEUs, representing a year-on-year increase of 5.0%, which was mainly attributable to the increase in throughput contributed by certain shipping routes and the steady improvement of port operation services. Lomé Container Terminal S.A. in Togo handled a container throughput of 1.60 million TEUs, representing a decrease of 1.4% year-on-year. Terminal Link SAS delivered a container throughput of 25.76 million TEUs, up by 0.9% year-on-year.

In 2022, the Group adhered to the general tone of making progress while maintaining stability amid the ongoing impact of the pandemic. With a focus on growth, the Group accelerated business transformation and improved production and operation steadily. In the pursuit of high-quality growth, 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.

In respect of the development of homebase ports, the Group continued to enhance the comprehensive competitiveness of the West Shenzhen homebase port as a world-class leading port. Since the commencement of operation, the Mawan Smart Port maintained efficient business operations, which demonstrated its professional capabilities in intelligent, automated and standardized port operations. Concurrently, the successful implementation of the coordinated port model in the Greater Bay Area helped streamline trade and logistics development in the region. As for overseas homebase ports, the Group made constant progress in business development through the collaboration between CICT and HIPG by integrated port operation and management in Sri Lanka.

In terms of overseas business, the Group recorded steady growth in annual container throughput against the volatility in the international economic and trade environment. Leveraging the new sea-air international logistic between China and major African cities, the Group optimized its international logistics supply chain services.

As for comprehensive development, the Group continued to attract enterprises and investment to its overseas logistic parks. As of the end of 2022, the number of enterprises contracted to move into the HIPG industrial park and the Djibouti International Free Trade Zone reached 40 and 287 respectively. The Group made substantial progress in developing innovative models, such as international logistics supply chain services. The Group also achieved solid results in the transformation of the business model from land and warehouse leasing to offering complete solutions to clients.

With regard to innovative development, the Group actively explored new business models, including focusing on innovative business models for port supply chain services and green smart ports, and established a new business development platform with business partners. The Group took the initiative to accelerate industrial digitalization and promoted market expansion steadily. Apart from building and operating the open platform for intelligent ports, the Group pushed forward the construction of the Mawan Smart Port to lower operating costs and enhance efficiency. The key technology for the digitalization and intelligent transformation of container terminals was successfully selected as one of the 2022 Major Scientific and Technological Innovation Achievements by the Ministry of Transport of China.

Regarding capital operation, the Group completed the acquisition of 14.6% equity interest in Asia Airfreight Terminal Company Limited, which optimized its logistics supply chain network in the Greater Bay Area. In order to improve asset efficiency, the Group also increased its shareholding in SIPG from 26.64% to 28.05%.

In respect of operation management, the Group adopted smart tools to promote new operation and management practices, modes and mindsets. 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.

As for marketing and commerce, the Group maintained close cooperation with major shipping companies. At the same time, the Group actively expanded platform ecological services through digital transformation, which connected enterprises in the ecosystem with technological means, thereby facilitating the transition from "volume economy" to "value economy".

FUTURE PROSPECTS

Looking into 2023, unpredicted headwinds will continue to affect and add uncertainties to global economic recovery. As the world's economy starts to rebound with low-to-mid growth, there will be a divergence between major and emerging economies. In January 2023, the IMF predicted the global economy to slow in 2023 and the annual growth rate was expected to reach 2.9%, which the developed economies and emerging and developing economies would grow by 1.2% and 4.0% respectively. Global trade volume (including goods and services) was projected to increase by 2.4%, down by 3 percentage points as compared to that of 2022.

In 2023, the global pandemic will gradually ease and container supply will continue to rise. With the improvement of port congestion and labor strikes in Europe and the United States, congestion in the shipping supply chain will be mitigated and container freight rates in the shipping market will likely fall back to the pre-pandemic level. Port operations will become more efficient and the growth of global maritime container volume will return to normal. As an industry-leading comprehensive port service provider, the Group will observe closely the domestic and international economic and trade environment and analyze the development trend of the port and shipping industry. By tapping into the opportunities arising from the implementation of China's major strategies, the Group will apply the new development philosophy, fulfil the requirements of high-quality development and pursue the strategy of becoming "a global leading comprehensive port service provider with high quality", so as to create more value for the Group and seek higher returns for its shareholders.

In 2023, the Group will continue to adhere to the general tone of making progress while maintaining stability. Driven by the dual-wheel model of "endogenous growth" and "innovation and upgrade", the Group will devote intense efforts to developing a comprehensive port service system to facilitate innovation and value creation. To achieve the strategic goal of becoming "a global leading comprehensive port service provider with high quality", the Group plans to focus on the key priorities set out below:

With regard to the construction of homebase ports, the Group will continue to strengthen the West Shenzhen homebase port, optimize the logistics supply chain network in the Greater Bay Area and develop the overseas CICT and HIPG homebase ports into a pair of international shipping centers in the South Asia region. In terms of overseas business, the Group will be enhancing its overseas presence and risk control to boost business quality and efficiency. In respect of comprehensive development, the Group will lay out high-quality plans for construction projects and pay attention to the innovative bonded logistics business in the domestic market. Simultaneously, the Group will continue to refine the comprehensive development model of "Port-Park-City" in the overseas market. Regarding innovative development, the port production capacity, customer service capability and comprehensive management capability of the Group will be improved through the "CMCore", "CM ePort" and SMP platforms. The Group will cooperate with external research institutions more closely to establish diverse research and development platforms, step up the research and development efforts in key and core technology and frontier technology for port operation, and promote industrial digitalization and digital industrialization to maintain the leading position in port technology development. In the pursuit of high-quality transformation and upgrade, the Group will press ahead with innovation in business models and explore integrated service models for port operation. In respect of capital operation, the Group will continue to adopt the dual-wheel drive model of "asset operation + capital operation" to strengthen capital operations, support financial value creation and guard against investment risks. In terms of operation management, the establishment of the "empowerment-professionalism-value" operation and management system will be accelerated and online business management procedures will be optimized. Besides, the Group will further develop the full-cycle project system and speed up the building of the investment management information system. As for marketing and commerce, the Group will apply the customer-centric and market-oriented approach to drive business growth on all fronts.

The year of 2023 will be a crucial period for China to take the "14th Five-Year Plan" forward. After overcoming the adverse effects of various unexpected shocks, China's economy has achieved steady improvement in quality and reasonable growth in volume, which demonstrates its strong resilience and potential. It is expected that China will continue to provide growth momentum to the global economy, thereby making significant contributions to worldwide economic recovery. Meanwhile, China will remain committed to the general tone of making progress and maintaining stability. It will step up the implementation of its macro-policies and focus on supply-side structural reform to promote economic development in all sectors. Besides, China will boost economic activities and further develop the domestic and international dual circulation by facilitating the exchange of global factors and production resources. Looking forward, the port industry will be offered by new opportunities emerging from the ongoing development of key areas such as the Greater Bay Area, the Yangtze River Delta and the Hainan Free Trade Zone. The sector will also be supported by increasing technological innovation of enterprises and the steady transition towards green and low-carbon production.

The Group will actively align with the national development agenda and firmly seize the development opportunities arising from China's accelerating construction of an internally and externally connected, safe and efficient logistics network. The Group will also apply the new development philosophy and fulfil the requirements for quality development. Simultaneously, the Group will adhere to the key development paths of "endogenous growth" and "innovation and upgrade" to take the initiatives proactively, respond scientifically, and concentrate on key areas to overcome challenges. By improving the quality of customer services with reform and innovation, the Group will continue to enhance its competitiveness in the international market and become "a global leading comprehensive port service provider with high quality". The Group will strive to create greater value for itself and bring more returns to its shareholders.

INVESTOR RELATIONS

In 2022, the Group organized and attended 25 investor and analyst meetings through diverse forms of online communication, including online results announcement briefings, online results roadshow meetings and online investor conferences, where it met more than 580 investors and analysts around the world. During the year, the Group continued to communicate and exchange views with capital market participants, so as to maintain a close connection with shareholders and investors. The Group shared its financial results and business updates with the capital market timely, which improved the information transparency of the listed company.

RATINGS

In 2022, international credit rating agencies Moody's and Standard and Poor's maintained the Baa1 and BBB investment rating on the Group respectively and affirmed the "stable" outlook. During the year, the Group was rated A- in the 2022 Sustainability Performance Assessment conducted by the Hong Kong Quality Assurance Agency (2021: A).

APPRECIATION

In 2022, the resurgence of the pandemic and the complex external environment presented both risks and obstacles. Against this backdrop, the Group embraced challenges by responding actively and advancing steadily. Substantial achievements were made in various aspects and steady growth in operating results was recorded as compared to the previous year. All of these could not be accomplished without the dedication of 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, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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%. Profit 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:

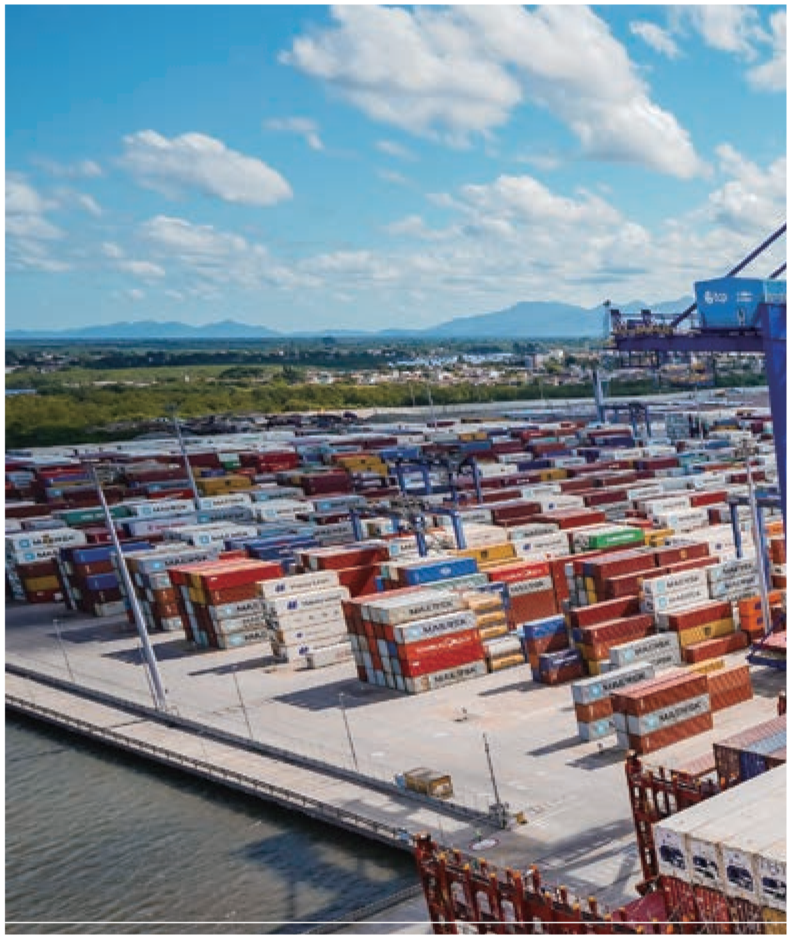
Container Terminals	2022 thousand TEUs	2021 thousand TEUs	Year-on-year changes
Mainland China, Hong Kong and Taiwan	**102,653**	101,470	1.2%
Pearl River Delta region	**18,208**	18,622	(2.2%)
West Shenzhen Port Zone	**12,078**	11,482	5.2%
China Merchants Container Services Limited and Modern Terminals 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

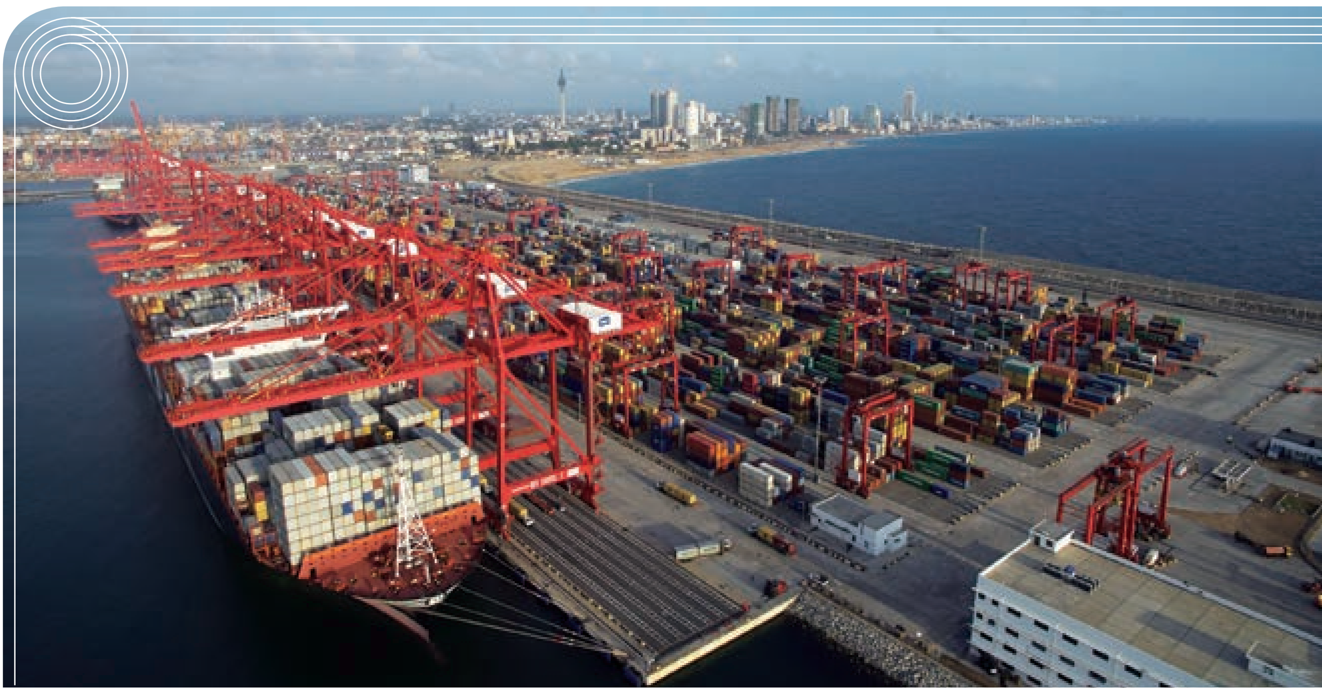
Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 1.23 million TEUs, up by 1.0% year-on-year. Due to the ongoing impact of domestic and foreign market fluctuations as well as the pandemic, bulk cargo volume decreased to various extents. Bulk cargo volume handled decreased by 13.0% year-on-year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

Note 1 Profit 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.

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.

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 current 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.

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

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 HK$'million	2021 HK$'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
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 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 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).

CONTINGENT LIABILITIES

Save as disclosed in note 39(d) to the consolidated financial statements, the Group did not have any other significant contingent liabilities as at 31 December 2022.

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 2022.

SIGNIFICANT INVESTMENTS

As at 31 December 2022, the Group did not hold any significant investments which constitute 5% or more of its total assets.

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.

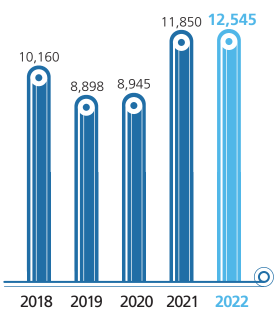
Looking forward, the Group will continue to seize the development opportunities in the new era based on the new development stage, aim at high-quality development, accelerate the technology-led and innovation-driven development, and achieve the global scientific layout and balanced development. By providing 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.

FIVE-YEAR FINANCIAL SUMMARY

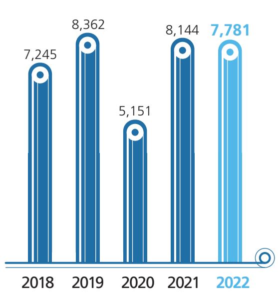
Five-year Financial Summary

	2022 HK$'million	2021 HK$'million	2020 HK$'million	2019 HK$'million	2018 HK$'million
RESULTS					
Revenue	**12,545**	11,850	8,945	8,898	10,160
Profit before taxation	**10,075**	10,626	7,158	11,756	9,250
Profit for the year	**9,029**	9,385	6,081	9,238	7,955
Non-controlling interests	**1,019**	1,014	878	876	710
Profit attributable to equity holders of the Company	**7,781**	8,144	5,151	8,362	7,245
ASSETS AND LIABILITIES					
Non-current assets	**157,626**	162,974	152,608	136,572	129,138
Net current (liabilities)/assets	**(6,473)**	(5,473)	1,864	(3,012)	1,648
Total assets less current liabilities	**151,153**	157,501	154,472	133,560	130,786
Non-current liabilities	**28,577**	32,703	40,837	39,426	42,782
Non-controlling interests	**19,361**	20,295	19,509	14,351	12,683
Capital and reserves attributable to equity holders of the Company	**96,969**	98,262	87,889	79,783	75,321
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**201.52**	219.87	146.25	247.84	219.54
Dividend per share (HK cents)	**82.00**	94.00	69.00	80.00	95.00

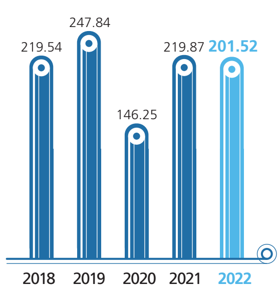
Revenue
HK$' million



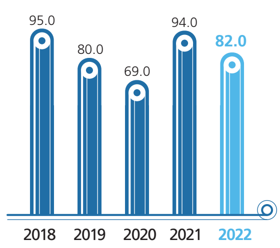
Profit attributable to equity holders of the Company
HK$' million



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 2022.

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.

During the year, the Board has reviewed and discussed the corporate governance policies of the Group and was satisfied with the effectiveness of such policies.

CORPORATE GOVERNANCE

In the opinion of the Board, 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 set out in Part 2 of 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 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 of the Company, 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.

OBJECTIVE, VALUE, STRATEGY AND CULTURE

The core objective of the Company is to seek more returns for its shareholders and strive to become a "world's leading comprehensive port service provider with high quality". Staying committed to its mission of leading the development of the industry, the Company adheres to the customer-centric and market-oriented principle to serve as an industry role model. In this regard, the Company actively assumed its responsibilities to the employees, customers, shareholders, the society and the environment. Such objective and value also determined the Company's strategy to pursue the goal of becoming a "world's leading comprehensive port service provider with high quality", so as to create value for the shareholders.

The objective, value and strategy of the Company are the foundation of the Company's corporate culture. Centering on high ethical standards and practices, the Company's corporate culture aims to achieve sustainable development and strives to create greater value for the Group, at the same time seeking more returns for the shareholders.

BOARD OF DIRECTORS

The Board of the Company comprises:

Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Deng Renjie *(Chairman)* *1 (redesignated on 2 September 2022)	Male	Chinese	52	2.9
Yim Kong *(Vice Chairman)* *2 (redesignated on 8 December 2022)	Male	Chinese	50	1.2
Yang Guolin *3 (appointed on 22 June 2022 and redesignated on 8 December 2022)	Male	Chinese	47	0.5
Liu Weiwu*4 (resigned on 8 December 2022)	Male	Chinese	58	1.7
Deng Weidong*5 (resigned on 8 December 2022)	Male	Chinese	55	1.1

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Wang Xiufeng *(Vice Chairman and Chief Executive Officer)*	Male	Chinese	52	1.4
Xu Song *(Managing Director)* (appointed on 22 June 2022)	Male	Chinese	50	0.5
Tu Xiaoping *(Chief Financial Officer)* (appointed on 8 December 2022)	Male	Chinese	57	0.1
Lu Yongxin (appointed on 8 December 2022)	Male	Chinese	53	0.1
Wang Zhixian (resigned on 22 June 2022)	Male	Chinese	57	6.4

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Bong Shu Ying Francis	Male	Chinese	80	12.5
Chan Hiu Fung Nicholas (appointed on 8 December 2022)	Male	Chinese	49	0.1
Chan Yuen Sau Kelly (appointed on 21 March 2023)	Female	Chinese	52	N/A
Li Ka Fai David	Male	Chinese	67	15.6
Wong Pui Wah (appointed on 2 September 2022)	Female	Chinese	47	0.3
Lee Yip Wah Peter (resigned on 8 December 2022)	Male	Chinese	80	21.5
Kut Ying Hay (resigned on 21 March 2023)	Male	Chinese	67	30.6

*1 Mr. Deng Renjie has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022.

*2 Mr. Yim Kong has been redesignated as Vice Chairman of the Board of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*3 Mr. Yang Guolin was appointed as Executive Director of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Directors of the Company on 8 December 2022.

*4 Mr. Liu Weiwu was redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

*5 Mr. Deng Weidong was redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

During the year, all 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/her 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 2022	Attendance rate
Deng Renjie*1	7/8	87.5%
Wang Xiufeng	8/8	100%
Yim Kong*2	8/8	100%
Xu Song*3	5/5	100%
Tu Xiaoping*4	1/1	100%
Lu Yongxin*5	1/1	100%
Yang Guolin*6	5/5	100%
Bong Shu Ying Francis	8/8	100%
Chan Hiu Fung Nicholas*7	1/1	100%
Li Ka Fai David	8/8	100%
Wong Pui Wah*8	2/2	100%
Wang Zhixian*9	2/2	100%
Liu Weiwu*10	6/6	100%
Deng Weidong*11	5/6	83.3%
Lee Yip Wah Peter*12	6/6	100%
Kut Ying Hay*13	8/8	100%
Chan Yuen Sau Kelly*14	N/A	N/A

*1 Mr. Deng Renjie has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022.

*2 Mr. Yim Kong has been redesignated as Vice Chairman of the Board of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*3 Mr. Xu Song was appointed as Executive Director and Managing Director of the Company on 22 June 2022.

*4 Mr. Tu Xiaoping was appointed as Executive Director of the Company on 8 December 2022.

*5 Mr. Lu Yongxin was appointed as Executive Director of the Company on 8 December 2022.

*6 Mr. Yang Guolin was appointed as Executive Director of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*7 Mr. Chan Hiu Fung Nicholas was appointed as Independent Non-executive Director of the Company on 8 December 2022.

*8 Ms. Wong Pui Wah was appointed as Independent Non-executive Director of the Company on 2 September 2022.

*9 Mr. Wang Zhixian resigned as Executive Director of the Company on 22 June 2022.

*10 Mr. Liu Weiwu was redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

*11 Mr. Deng Weidong was redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

*12 Mr. Lee Yip Wah Peter resigned as Independent Non-executive Director of the Company on 8 December 2022.

*13 Mr. Kut Ying Hay resigned as Independent Non-executive Director of the Company on 21 March 2023.

*14 Ms. Chan Yuen Sau Kelly was appointed as Independent Non-executive Director of the Company on 21 March 2023.

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

To ensure independent views and inputs available to the Board, the Nomination Committee and the Board has assessed the Directors' independence annually with reference to the following factors:

(i) required character, integrity, expertise, experience to fulfill their roles;

(ii) time commitment and attention to the Company's affairs;

(iii) declaration of conflict of interest in their roles as Independent Non-executive Directors;

(iv) no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and

(v) commitment to their independent roles.

In addition, subject to approval by the Chairman of the Board, Directors may seek independent legal, financial or other professional advice from advisors independent of the Company as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively at the Company's expenses. The Board will review the effectiveness of the implementation of such mechanism on an annual basis. The Board is of the view that the above mechanism is effective in ensuring that independent views and opinions are provided to the Board.

For every Board and Board Committee meeting, each Director is required to declare whether he/she has any conflict of interests in the matters to be considered. If a substantial shareholder or a Director has a conflict of interests which is considered by the Board as material, the matters should be dealt with by a physical Board meeting rather than a written resolution.

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 necessary. 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*1	A,B,C
Wang Xiufeng	A,B,C
Yim Kong*2	A,B,C
Xu Song*3	A,B,C
Tu Xiaoping*4	A,B,C
Lu Yongxin*5	A,B,C
Yang Guolin*6	A,B,C
Bong Shu Ying Francis	A,C
Chan Hiu Fung Nicholas*7	A,C
Li Ka Fai David	A,C
Wong Pui Wah*8	A,C
Wang Zhixian*9	N/A
Liu Weiwu*10	N/A
Deng Weidong*11	N/A
Lee Yip Wah Peter*12	N/A
Kut Ying Hay*13	A,C
Chan Yuen Sau Kelly*14	N/A

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. Deng Renjie has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022.

*2 Mr. Yim Kong has been redesignated as Vice Chairman of the Board of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*3 Mr. Xu Song was appointed as Executive Director and Managing Director of the Company on 22 June 2022.

*4 Mr. Tu Xiaoping was appointed as Executive Director of the Company on 8 December 2022.

*5 Mr. Lu Yongxin was appointed as Executive Director of the Company on 8 December 2022.

*6 Mr. Yang Guolin was appointed as Executive Director of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*7 Mr. Chan Hiu Fung Nicholas was appointed as Independent Non-executive Director of the Company on 8 December 2022.

*8 Ms. Wong Pui Wah was appointed as Independent Non-executive Director of the Company on 2 September 2022.

*9 Mr. Wang Zhixian resigned as Executive Director of the Company on 22 June 2022.

*10 Mr. Liu Weiwu was redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

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*12 Mr. Lee Yip Wah Peter resigned as Independent Non-executive Director of the Company on 8 December 2022.

*13 Mr. Kut Ying Hay resigned as Independent Non-executive Director of the Company on 21 March 2023.

*14 Ms. Chan Yuen Sau Kelly was appointed as Independent Non-executive Director of the Company on 21 March 2023.

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. Xu Song. During the year, Mr. Yim Kong was the Managing Director of the Company until 22 June 2022 when he was redesignated as Vice Chairman of the Board of Company and Mr. Xu Song was appointed as Managing Director of the Company on the same date.

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 and diversity of the Board of the Company.

During the year and up to the date of this report, the appointments made by the Board are as follows:

(i) At a Board Meeting held on 22 June 2022, the Board resolved to appoint Mr. Xu Song as Executive Director and Managing Director of the Company and Mr. Yang Guolin as Executive Director of the Company;

(ii) At a Board Meeting held on 2 September 2022, the Board resolved to appoint Ms. Wong Pui Wah as an Independent Non-executive Director of the Company;

(iii) At a Board Meeting held on 8 December 2022, the Board resolved to appoint Mr. Tu Xiaoping and Mr. Lu Yongxin as Executive Directors of the Company and Mr. Chan Hiu Fung Nicholas as an Independent Non-executive Director of the Company; and

(iv) At a Board Meeting held on 21 March 2023, the Board resolved to appoint Ms. Chan Yuen Sau Kelly as an Independent Non-executive Director of the Company.

In respect of the appointment of Mr. Xu Song, Mr. Tu Xiaoping, Mr. Lu Yongxin, Mr. Yang Guolin, Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly and Ms. Wong Pui Wah, the Board has taken into consideration, inter alia, their qualification, management expertise and experience in relevant industries in order to promote diversity of the Board.

NOMINATION COMMITTEE

The Nomination Committee of the Company ("**Nomination Committee**") was established in March 2012. It comprises one Executive Director and four Independent Non-executive Directors. Three meetings were held in 2022. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2022	Attendance rate
Kut Ying Hay*1 (ex-Chairman of the Nomination Committee) (resigned on 21 March 2023)	3/3	100%
Chan Yuen Sau Kelly*2 (Chairman of the Nomination Committee) (appointed on 21 March 2023)	N/A	N/A
Wang Xiufeng	3/3	100%
Bong Shu Ying Francis	3/3	100%
Li Ka Fai David (ceased on 8 December 2022)	3/3	100%
Lee Yip Wah Peter (resigned on 8 December 2022)	2/2	100%
Chan Hiu Fung Nicholas (appointed on 8 December 2022)	N/A	N/A
Wong Pui Wah (appointed on 8 December 2022)	N/A	N/A

*1 Mr. Kut Ying Hay was the chairman of the Nomination Committee from 1 January 2022 to 20 March 2023. He resigned as an Independent Non-executive Director of the Company on 21 March 2023.

*2 Ms. Chan Yuen Sau Kelly was appointed as Independent Non-executive Director of the Company and the chairman of the Nomination Committee on 21 March 2023.

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.

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 recommendations to the Board on the following changes to the Board:

(i) Appointment of Mr. Yang Guolin as Executive Director of the Company on 22 June 2022;

(ii) Appointment of Mr. Xu Song as Executive Director and Managing Director of the Company on 22 June 2022;

(iii) Redesignation of Mr. Yim Kong from Managing Director of the Company to the Vice Chairman of the Board on 22 June 2022;

(iv) Redesignation of Mr. Deng Renjie from Executive Director to Non-executive Director of the Company on 2 September 2022;

(v) Redesignation of Mr. Liu Weiwu from Executive Director to Non-executive Director of the Company on 2 September 2022;

(vi) Redesignation of Mr. Deng Weidong from Executive Director to Non-executive Director of the Company on 2 September 2022;

(vii) Appointment of Ms. Wong Pui Wah as an Independent Non-executive Director of the Company on 2 September 2022;

(viii) Redesignation of Mr. Yim Kong and Mr. Yang Guolin from Executive Directors to Non-executive Directors of the Company on 8 December 2022;

(ix) Appointment of Mr. Tu Xiaoping as the Executive Director of the Company on 8 December 2022;

(x) Appointment of Mr. Lu Yongxin as an Executive Director of the Company on 8 December 2022;

(xi) Appointment of Mr. Chan Hiu Fung Nicholas as an Independent Non-executive Director of the Company on 8 December 2022; and

(xii) Appointment of Ms. Chan Yuen Sau Kelly as an Independent Non-executive Director of the Company on 21 March 2023.

Board Diversity

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 Directors in accordance with the Listing Rules applicable to the Company and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; and
- 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 makes 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. Wang Xiufeng, Mr. Yim Kong, Mr. Bong Shu Ying Francis and Mr. Li Ka Fai David shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Xu Song, Mr. Tu Xiaoping, Mr. Lu Yongxin, Mr. Yang Guolin, Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly and Ms. Wong Pui Wah 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.

As at the date of this report, the Board comprises twelve Directors. Three of the Directors are Non-executive Directors and five of the Directors are Independent Non-executive Directors and they are independent of management and thereby promoting critical review and control of the management process. The Board believes that gender diversity is a representation of board diversity, among all other measurable objectives. During the year and up to the date of this report, the Board has appointed two female Directors in compliance with Rule 13.92 of the Listing Rules. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills. The Board values gender diversity and will continue to take steps to promote gender diversity at all levels, in particular when recruiting staff at mid to senior level in order to develop a pipeline of potential female successors to the Board.

Workforce Diversity

As at 31 December 2022, the Group employed 8,425 number of employees, including 1,363 female and 7,062 male employees, representing a female-to-male ratio of 1:5, which demonstrated a gender balance in the Group's workforce. Gender is neutral in the Group's recruitment process as no position requires any particular capability or skill that is regarded as better performed by one gender than another.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company ("**Remuneration Committee**") was established in January 2005. It comprises one Executive Director and four Independent Non-executive Directors. One meeting was held in 2022. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2022	Attendance rate
Chan Hiu Fung Nicholas*[1] (Chairman of the Remuneration Committee) (appointed on 8 December 2022)	N/A	N/A
Li Ka Fai David*[2] (ex-Chairman of the Remuneration Committee)	1/1	100%
Wang Xiufeng*[3] (resigned on 8 December 2022)	1/1	100%
Kut Ying Hay*[4] (resigned on 21 March 2023)	1/1	100%
Bong Shu Ying Francis	1/1	100%
Lee Yip Wah Peter*[5] (resigned on 8 December 2022)	N/A	N/A
Xu Song*[6] (appointed on 8 December 2022)	N/A	N/A
Chan Yuen Sau Kelly*[7] (appointed on 21 March 2023)	N/A	N/A

*1. Mr. Chan Hiu Fung Nicholas was appointed as Independent Non-executive Director of the Company and the chairman of the Remuneration Committee on 8 December 2022.

*2. Mr. Li Ka Fai David was the chairman of the Remuneration Committee from 1 January 2022 to 7 December 2022. He has been redesignated as member of the Remuneration Committee on 8 December 2022.

*3. Mr. Wang Xiufeng resigned as a member of the Remuneration Committee on 8 December 2022.

*4. Mr. Kut Ying Hay resigned as an Independent Non-executive Director of the Company on 21 March 2023.

*5. Mr. Lee Yip Wah Peter resigned as Independent Non-executive Director of the Company and a member of the Nomination Committee on 8 December 2022.

*6. Mr. Xu Song was appointed as Executive Director and Managing Director of the Company on 22 June 2022. He was appointed as member of the Remuneration Committee on 8 December 2022.

*7. Ms. Chan Yuen Sau Kelly was appointed as Independent Non-executive Director of the Company on 21 March 2023.

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.

According to the Directors' Remuneration Policy, 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 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 and Independent Non-executive Director;

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

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

9. to review and/or approve matters relating to share schemes under chapter 17 of the Listing Rules; and

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

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management (excluding Directors) by band for the year ended 31 December 2022 is set out in note 10 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee of the Company ("**Audit Committee**") comprises all of the five Independent Non-executive Directors.

The Audit Committee meets at least twice a year. Three meetings were held in 2022. 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 2022	Attendance rate
Li Ka Fai David*1 (Chairman of the Audit Committee) (appointed on 8 December 2022)	3/3	100%
Bong Shu Ying Francis	3/3	100%
Chan Hiu Fung Nicholas*2 (appointed on 8 December 2022)	1/1	100%
Wong Pui Wah*3 (appointed on 8 December 2022)	1/1	100%
Lee Yip Wah Peter*4 (resigned on 8 December 2022)	2/2	100%
Kut Ying Hay*5 (resigned on 21 March 2023)	3/3	100%
Chan Yuen Sau Kelly*6 (appointed on 21 March 2023)	N/A	N/A

*1 During the year, Mr. Li Ka Fai David was a member of the Audit Committee. He has been appointed as the chairman of the Audit Committee on 8 December 2022.

*2 Mr. Chan Hiu Fung Nicholas was appointed as Independent Non-executive Director of the Company and a member of the Audit Committee on 8 December 2022.

*3 Ms. Wong Pui Wah was appointed as Independent Non-executive Director of the Company and a member of the Audit Committee on 8 December 2022.

*4 Mr. Lee Yip Wah Peter was the chairman of the audit committee from 1 January 2022 to 7 December 2022. He resigned as Independent Non-executive Director of the Company on 8 December 2022.

*5 Mr. Kut Ying Hay resigned as Independent Non-executive Director of the Company on 21 March 2023.

*6 Ms. Chan Yuen Sau Kelly was appointed as Independent Non-executive Director of the Company and a member of the Audit Committee on 21 March 2023.

During the meetings held in 2022, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2021 and for the six months ended 30 June 2022;

(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 2021;

(v) reviewed and recommended for approval by the Board the 2022 audit scope and fees; and

(vi) reviewed the connected transactions entered into by the Group during 2021.

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, and 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance Committee of the Company ("**ESG Committee**") was established in December 2022. It comprises two Non-executive Directors two Executive Directors and one Independent Non-executive Director. No ESG Committee meeting was held during the year of 2022.

Name of member	Number of meeting attended in 2022	Attendance rate
Deng Renjie*1	N/A	N/A
Wang Xiufeng*2	N/A	N/A
Yim Kong*3	N/A	N/A
Xu Song*4	N/A	N/A
Wong Pui Wah*5	N/A	N/A

*1. Mr. Deng Renjie has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He was appointed as the chairman of the ESG Committee on 8 December 2022.

*2. Mr. Wang Xinfeng was appointed as memeber of the ESG Committee on 8 December 2022.

*3. Mr. Yim Kong has been redesignated as Vice Chairman of the Board of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company and member of the ESG Committee on 8 December 2022.

*4. Mr. Xu Song was appointed as Executive Director and Managing Director of the Company on 22 June 2022. He was appointed as member of the ESG Committee on 8 December 2022.

*5. Ms. Wong Pui Wah was appointed as Independent Non-executive Director of the Company on 2 September 2022. She was appointed as member of the ESG Committee on 8 December 2022.

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

1. To formulate and review the objectives, strategies and management policies of the Group's Environmental, Social and Governance ("**ESG**") matters, review the progress made against related goals and target annually and make recommendations to the Board for approval (if necessary);

2. To review and assess the adequacy and effectiveness of the management framework for ESG matters of the Company and make recommendations to the Board for approval (if necessary);

3. To adopt and update the Group's policies on ESG matters to ensure its compliance with applicable legal and regulatory requirements;

4. To identify, determine and assess ESG risks, issues and opportunities of the Group, advise on those issues that will significantly affect the operation of the Company or the interest of other stakeholders and provide anticipatory and mitigation plans;

5. To review the Group's ESG performance (e.g. KPIs) to ensure compliance with relevant ESG policies and procedures, as well as applicable laws and regulations and international or national standards and to report to the Board;

6. To engage with appropriate internal and external stakeholders in conducting annual materiality assessment procedures and to ensure that effective communications and relationships are in place with such stakeholders;

7. To review and monitor annual "Environmental, Social and Governance Report" of the Company and recommend to the Board for approval;

8. To ensure that the annual "Environmental, Social and Governance Report" of the Company is compliant with, and prepared in accordance with, the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules; and

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

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 2022, 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 77 to 82.

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	8
Non-audit services	
(Tax, compliance	
and advisory services)	2
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, as well as those related to the Company's ESG performance and reporting, 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 conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems during the year by way of discussion with members of the Audit Committee, the external independent auditor and the Risk Management and Internal Audit Department/Legal and Compliance Department. The Board considers that the Group's risk management and Internal control systems are effective and adequate.

WHISTLEBLOWING POLICY

The Group has established an extensive and open whistleblowing channel to clearly specify the scope of acceptance and handling procedures, encouraging whistleblowers to report on any organisations' and individuals' illegal and undisciplined misconduct. Upon receipt of the report, the Supervision Department verifies the problem clues, conducts examinations and investigations for reports that fulfil the case initiation requirements and transfers the suspected non-compliance case to the procuratorate.

ANTI-CORRUPTION POLICY

The Board attaches great importance to business conducts and anti-corruption work. The Group is committed to achieving the highest standards of integrity and ethical behavior in conducting business. The Group has formulated various practical and comprehensive anti-corruption measures which set out an accountability mechanism for non-compliance acts, compliance management policies, and specific behavioural guidelines for the Group's personnel and business partners to follow to combat corruption.

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

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to ensure that shareholders' views and concerns are appropriately addressed. These include general meetings, the annual and interim reports, notices, announcements and circulars, the Company's website at www.cmport.com.hk and corporate email. The Board review the implementation and effectiveness of these channels annually.

The Company considers that such channels are effective in enhancing timely, transparent, accurate and open communications between the Company and its shareholders and investors and among investors, as there were over 580 communications with global investors and analysts held by the Company through online results announcement briefings, online results roadshow meetings and online investor summits etc.

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.

The Company attaches great importance to shareholder returns and seeks to provide stable and sustainable returns to the shareholders of the Company. 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.

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 fourteen days before the extraordinary general meeting and at least twenty one days before the annual general meeting pursuant to the Article of Association of the Company.

At the 2022 annual general meeting held on 2 June 2022 (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 2022 is set out as follows:

Name of Director	Number of general meeting attended in 2022
Deng Renjie*1	0/1
Wang Xiufeng	0/1
Yim Kong*2	1/1
Xu Song*3	N/A
Tu Xiaoping*4	N/A
Lu Yongxin*5	N/A
Yang Guolin*6	N/A
Chan Hiu Fung Nicholas*7	N/A
Bong Shu Ying Francis	1/1
Li Ka Fai David	0/1
Wong Pui Wah*8	N/A
Wang Zhixian*9	0/1
Liu Weiwu*10	0/1
Deng Weidong*11	0/1
Lee Yip Wah Peter*12	1/1
Kut Ying Hay*13	0/1
Chan Yuen Sau Kelly*14	N/A

*1 Mr. Deng Renjie has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022.

*2 Mr. Yim Kong has been redesignated as Vice Chairman of the Board of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*3 Mr. Xu Song was appointed as Executive Director and Managing Director of the Company on 22 June 2022.

*4 Mr. Tu Xiaoping was appointed as Executive Director of the Company on 8 December 2022.

*5 Mr. Lu Yongxin was appointed as Executive Director of the Company on 8 December 2022.

*6 Mr. Yang Guolin was appointed as Executive Director of the Company on 22 June 2022. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

*7 Mr. Chan Hiu Fung Nicholas was appointed as Independent Non-executive Director of the Company on 8 December 2022.

*8 Ms. Wong Pui Wah was appointed as Independent Non-executive Director of the Company on 2 September 2022.

*9 Mr. Wang Zhixian resigned as Executive Director of the Company on 22 June 2022.

*10 Mr. Liu Weiwu has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

*11 Mr. Deng Weidong has been redesignated from Executive Director of the Company to Non-executive Director of the Company on 2 September 2022. He then resigned as Non-executive Director of the Company on 8 December 2022.

*12 Mr. Lee Yip Wah Peter resigned as Independent Non-executive Director of the Company on 8 December 2022.

*13 Mr. Kut Ying Hay resigned as Independent Non-executive Director of the Company on 21 March 2023.

*14 Ms. Chan Yuen Sau Kelly was appointed as Independent Non-executive Director of the Company on 21 March 2023.

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 2023 annual general meeting of the Company will be held at 9:30 a.m. on Friday, 2 June 2023 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 52, 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 July 1991. He later obtained a Master's Degree of International Law from Dalian Maritime University. Prior to his appointment as 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, Assistant to General Manager and Director of Administration Department of China Merchants Group Limited, the Chairman of China Merchants Expressway Network & Technology Holdings Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, and the Chairman of Liaoning Port Group Limited. He currently serves as Deputy Director of the China Communications and Transportation Association, a standing member and Deputy Director of the 9th council of the China Highway & Transportation Society, and Chairman of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange.

He is currently the Chairman of the Board, and a Non-executive Director of the Company. He is also the Chairman of the ESG Committee.

Mr. Wang Xiufeng

aged 52, is the Vice Chairman of the Board of Directors and Chief Executive Offier of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange and a director of various subsidiaries of the Company. 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 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 of MCC Jingtang Construction Co., Ltd., and the General Manager of MCC 22nd Metallurgical Construction Company.

He is currently the Vice Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company. He is also a member of the Nomination Committee and the ESG Committee.

Mr. Yim Kong

aged 50, currently serves as the Vice Chairman 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 Chief Operational Officer, General Manager and the Deputy General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange and the Chief Commercial Officer, Deputy General Manager and the Managing Director 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 Election Committee of the Hong Kong Special Administrative Region and a member of the Maritime and Port Development Committee of Hong Kong Maritime and Port Board. He was a member of the Pilotage Advisory Committee (PAC) of the Marine Department of the Hong Kong Special Administrative Region and a member of the Logistics Services Advisory Committee of the Hong Kong Trade Development Council.

He is currently the Vice Chairman of the Board and a Non-executive Director of the Company. He is also a member of the ESG Committee.

Mr. Xu Song

aged 50, is the Director, the Chief Operating Officer and General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He also serves as a director of Liaoning Port Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE and a director of various subsidiaries of the Company. He is a Senior Economist, graduated from Huazhong University of Science and Technology majoring in Material Management, and obtained a Bachelor's Degree. He then obtained a Master's Degree from Dongbei University of Finance and Economics majoring in Business Administration, a Master's Degree from Coventry University majoring in International Business, and a PhD from Dalian Maritime University majoring in the Transportation Planning and Management. He successively served as the Deputy General Manager of Dalian Portnet Co., Ltd., the Deputy General Manager and the General Manager of Dalian Jifa Logistics Co., Ltd., the General Manager of Dalian Port Container Co., Ltd., the General Manager of Dalian Port North Yellow Sea Port Cooperation Management Company, the General Manager of Dalian Port (PDA) Company Limited (currently known as Liaoning Port Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE), Director, the Deputy General Manager and General Manager of Dalian Port Corporation Limited, the Deputy General Manager of Liaoning Port Group Co., Ltd., the Deputy General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, and other positions.

He is currently an Executive Director and Managing Director of the Company. He is also a member of the Remuneration Committee and the ESG Committee.

Mr. Tu Xiaoping

aged 57, joined the Company in 2021 and currently serves as Chief Financial Officer of the Company and a director of various subsidiaries of the Company. He obtained a Bachelor's degree in financial accounting of water economics from the Shanghai Maritime University, and subsequently received a Master's degree in Investment Management from Zhongnan University of Economics and Law. Mr. Tu has over 30 years of working experiences in enterprise and financial management. Before joining the Company, 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..

He is currently an Executive Director of the Company.

Mr. Lu Yongxin

aged 53, joined the Company in 2007 and currently serves as Deputy General Manager of the Company and a director of various subsidiaries of the Company. He obtained a Master's degree in Project Management from the Curtin University of Technology. Mr. Lu has extensive managerial experience in the international portfolio expansion activities of port companies. Prior to joining the Company, he 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). Before his current role in the Company, 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 seconded to France as Chief Financial Officer and Senior Vice President of Terminal Link SAS, an associate of the Company.

He is currently an Executive Director of the Company.

Mr. Yang Guolin

aged 47, is currently the Chairman of China Nanshan Development (Group) Incorporation and a director of various subsidiaries of the Company. He is a Senior Engineer and obtained a Doctor's Degree of Science from Chang'an University. He served as the Manager of the transportation infrastructure department of the Company, the Assistant General Manager of Ningbo Changzhen Highway Co., Ltd., the Assistant General Manager of Ningbo Zhenluo Highway Co., Ltd., the Deputy General Manager, Managing Director of Guizhou Jinguan Highway Co., Ltd., the Deputy General Manager, Managing Director of Guizhou Yunguan Highway Co., Ltd., the Deputy General Manager, Managing Director of Guizhou Pantao Highway Co., Ltd., the Deputy General Manager, Managing Director of Guizhou Jinhua Highway Co., Ltd., the Chairman and General Manager of Wenzhou Yongtaiwen Expressway Co., Ltd., the Assistant General Manager and the Deputy General Manager of China Merchants Expressway Network & Technology Holdings Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, the Deputy Head of Human Resource Department, and Executive Deputy Head (Ministerial) of China Merchants Group Limited.

He is currently a Non-executive Director of the Company.

Mr. Bong Shu Ying Francis

aged 80, 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 as 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 is currently an Independent Non-executive Director of the Company. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Chan Hiu Fung Nicholas

aged 49, MH, JP is currently a partner of Squire Patton Boggs. Mr. Chan graduated from the University of Melbourne with a degree of Bachelor of Science (Computer Science) and a degree of Bachelor of Laws in March 1997, and he was admitted as a solicitor in the High Court of Hong Kong in May 1999. Mr. Chan has been appointed as a member of the Hospital Governing Committee of Castle Peak Hospital and Siu Lam Hospital since April 2019. He has been appointed to serve as a council member of The Chinese University of Hong Kong for a period of three years from 1 June 2022. Since May 2022, he has been appointed to serve as the director of AALCO Hong Kong Regional Arbitration Centre, a regional arbitration centre established by an intergovernmental legal consultative organisation. He is also the Hong Kong Deputy to the 13th and 14th National People's Congress of the People's Republic of China. From 30 December 2014 to 30 May 2019, Mr. Chan was a council member of the Law Society of Hong Kong, and for six years from 1 April 2016, he served as a council member of the Hong Kong University of Science and Technology. Mr. Chan was awarded with the Medal of Honour (MH) from the Government of the Hong Kong Special Administrative Region in 2016 and was appointed as a Justice of the Peace in July 2021.

Mr. Chan is appointed to serve as a member of Committee on Innovation, Technology and Industry Development of The Government of the Hong Kong Special Administrative Region on 3 March 2023, and as a member of the Communications Authority with effect from 1 April 2023.

Mr. Chan is also an Independent Non-executive Director of Sa Sa International Holdings Limited, an Independent Non-executive Director of QP Group Holdings Limited, an Independent Non-executive Director of Pangaea Connectivity Technology Limited, an Independent Non-executive Director of Million Cities Holdings Limited, and an Independent Non-executive Director of Genertec Universal Medical Group Company Limited. Shares of the above five companies are listed on the HKSE. He is currently an Independent Non-executive Director of the Company.

He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Ms. Chan Yuen Sau Kelly

aged 52, JP, is currently the managing director of Peony Consulting Services Limited, a company which is principally engaged in provision of business advisory services. Ms. Chan is also an Independent Non-executive Director of Aluminum Corporation of China Limited, the H shares of which are listed on the HKSE and the A shares of which are listed on the Shanghai Stock Exchange, and an Independent Non-executive Director of Morimatsu International Holdings Company Limited, the shares of which are listed on the HKSE.

Ms. Chan obtained a Bachelor's Degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in 1992. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants ("**ACCA**") and the Hong Kong Institute of Directors. She has over 30 years of experience in financial and business management. Ms. Chan was previously responsible for management at various multinational corporations. At LVMH Moet Hennessy Louis Vuitton and Heineken Group, she was responsible for the companies' strategic and financial planning, logistics, customer service, information and communication technology, legal, risk management, human resources and other departments. Ms. Chan has also served at branches of Deloitte Touche Tohmatsu in Hong Kong and the United States, where she has in-depth knowledge and experience in professional services such as auditing, internal control, due diligence, corporate governance, risk management and business process optimization and restructuring.

In October 2020, Ms. Chan was appointed as a Justice of the Peace by the government of the Hong Kong Special Administrative Region in recognition of her remarkable public services and contribution to the community. In March 2022, Ms. Chan was awarded with ACCA's Advocacy Award for the China region in recognition of her relentless support for the accountancy profession. Ms. Chan was the president of ACCA Hong Kong from 2008 to 2009 and was the president of the Association of Women Accountants (Hong Kong) from 2020 to 2021. She is currently the council member of the Association of Women Accountants (Hong Kong) and the Vice Chairman of Shenzhen Hong Kong Macau Women Directors Alliance.

Ms. Chan is currently the Chairperson of TR at CUHK Company Limited and the Employees' Compensation Insurance Levies Management Board. She also serves on the boards of the Air Transport Licensing Authority, The Chinese University of Hong Kong, Hong Kong Repertory Theatre, and The Rehabaid Society. Ms. Chan was previously a member of the Education Commission, Quality Education Fund Steering Committee, Harbourfront Commission, Advisory Committee on Arts Development of Hong Kong, the board of the Inland Revenue Department, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of Hong Kong, Hospital Governing Committee of the Buddhist Hospital, Hospital Governing Committee of the Rehabaid Centre, the Kowloon Regional Advisory Committee of the Hospital Authority, Occupational Safety and Health Council and the board of directors of Ocean Park Hong Kong.

She is currently an Independent Non-executive Director of the Company. She is also the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee.

Mr. Li Ka Fai David

aged 67, MH, 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 is currently an independent Non-executive Director of the Company. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee.

Ms. Wong Pui Wah

aged 47, is the Chief Financial Officer and Company Secretary and serves as director of certain subsidiaries of YTO International Express and Supply Chain Technology Limited (formerly known as YTO Express (International) Holdings Limited), a company listed on the HKSE. She was an executive Director of On Time Logistics Holdings Limited (currently known as YTO International Express and Supply Chain Technology Limited) from 20 December 2013 to 1 December 2017. Prior to joining YTO International Express and Supply Chain Technology Limited, Ms. Wong had acquired auditing and accounting experiences by working in various accountancy firms from June 1998 to March 2006. She has over 20 years of experience in auditing, accounting and financial management. Ms. Wong graduated from Lingnan University (formerly known as Lingnan Collage) with a Bachelor's Degree in Business Administration in November 1998. She also obtained a Master's Degree in Professional Accounting from The Hong Kong Polytechnic University in November 2010. She is a non-practising member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

She is currently an Independent Non-executive Director of the Company. She is also a member of the Audit Committee, Nomination Committee and the ESG Committee.

SENIOR MANAGEMENT

Mr. Li Yubin

aged 50, joined the Company in 2007 and currently serves as Deputy General Manager of the Company and a director of various subsidiaries 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 and 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.

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 2022. 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 41 to 43 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 83.

The Board had declared an interim dividend of 22 HK cents per share, totaling HK$866 million, which was paid on 21 November 2022.

The Directors have resolved to recommend the payment of a final scrip dividend of 60 HK cents per share, totaling 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 the 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 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 shareholders on or around 15 June 2023. 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 21 July 2023.

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 31 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 31 of this Annual Report while the financial risk management of the Group can be found in note 36 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 31 and pages 34 to 51 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 on the same day of the publication of this annual report. 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 199 to 202 of this Annual Report.

CHARITABLE DONATIONS

Donation of HK$20 million was made by the Group during the year (2021: HK$10 million).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 30 and 44 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 2022 amounted to HK$3,480 million (2021: HK$3,391 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 pages 32 to 33 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 2022 and up to the date of this report were:

Non-executive Directors:

Mr. Deng Renjie *(Chairman)*
(redesignated as Non-executive Director on 2 September 2022)

Mr. Yim Kong *(Vice Chairman)*
(redesignated as Vice Chairman of the Board on 22 June 2022 and as Non-executive Director on 8 December 2022)

Mr. Yang Guolin
(appointed on 22 June 2022 and redesignated as Non-executive Director on 8 December 2022)

Mr. Liu Weiwu
(redesignated as Non-executive Director on 2 September 2022 and resigned on 8 December 2022)

Mr. Deng Weidong
(redesignated as Non-executive Director on 2 September 2022 and resigned on 8 December 2022)

Executive Directors:

Mr. Wang Xiufeng *(Vice Chairman and Chief Executive Officer)*
Mr. Xu Song *(Managing Director)*
(appointed on 22 June 2022)

Mr. Tu Xiaoping *(Chief Financial Officer)*
(appointed on 8 December 2022)

Mr. Lu Yongxin
(appointed on 8 December 2022)
Mr. Wang Zhixian
(resigned on 22 June 2022)

Independent Non-executive Directors:

Mr. Bong Shu Ying Francis
Mr. Chan Hiu Fung Nicholas
(appointed on 8 December 2022)
Ms. Chan Yuen Sau Kelly
(appointed on 21 March 2023)
Mr. Li Ka Fai David
Ms. Wong Pui Wah
(appointed on 2 September 2022)
Mr. Lee Yip Wah Peter
(resigned on 8 December 2022)
Mr. Kut Ying Hay
(resigned on 21 March 2023)

Biographical details of each Director and member of senior management of the Company are set out in the "Directors and Senior Management" on pages 52 to 58 of this Annual Report.

Mr. Yim Kong has been redesignated from Managing Director of the Company to the Vice Chairman of the Board with effect from 22 June 2022 due to change of work arrangement. He has been then redesignated from Executive Director of the Company to Non-executive Director of the Company with effect from 8 December 2022 due to reallocation of responsibilities.

Mr. Wang Zhixian resigned as Executive Director of the Company with effect from 22 June 2022 due to change of work arrangement.

Mr. Liu Weiwu has been redesignated from Executive Director to Non-executive Director of the Company with effect from 2 September 2022 due to reallocation of responsibilities. He then resigned as Non-executive Director of the Company with effect from 8 December 2022 due to change of work arrangement.

Mr. Deng Weidong has been redesignated from Executive Director to Non-executive Director of the Company with effect from 2 September 2022 due to reallocation of responsibilities. He then resigned as Non-executive Director of the Company with effect from 8 December 2022 due to change of work arrangement.

Mr. Lee Yip Wah resigned as Independent Non-executive Director of the Company with effect from 8 December 2022 due to retirement.

Mr. Kut Ying Hay resigned as Independent Non-executive Director of the Company with effect from 21 March 2023 due to retirement.

In accordance with Article 89 of the Articles of Association, Mr. Wang Xiufeng, Mr. Yim Kong, Mr. Li Ka Fai David 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. Xu Song, Mr. Tu Xiaoping, Mr. Lu Yongxin, Mr. Yang Guolin, Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly and Ms. Wong Pui Wah will retire from office at the forthcoming annual general meeting and shall be eligible and offer themselves 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 26 August 2021;

One Executive Director's appointment commenced on 22 June 2022;

One Non-executive Director's appointment commenced on 2 September 2022;

One Independent Non-executive Director's appointment commenced on 1 June 2022;

One Independent Non-executive Director's appointment commenced on 14 July 2022.

One Independent Non-executive Director's appointment commenced on 2 September 2022;

Two Executive Directors', two Non-Executive Directors' and one Independent Non-executive Director's appointment commenced on 8 December 2022; and

One Independent Non-executive Director's appointment commenced on 21 March 2023.

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' 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 2022, 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 2022
Mr. Yim Kong	Beneficial owner	Personal interest	7,227	—	0.0002%
Mr. Yang Guolin [1]	Beneficial owner	Personal interest	212,415	—	0.0053%
Mr. Lu Yongxin [2]	Beneficial owner	Personal interest	13,597	—	0.0003%

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

Name of Director	Capacity	Nature of interest	Number of shares held in the Company's associated corporation	Number of shares options granted	Number of shares options cancelled	Total	Percentage of long position in A Class shares held to the issued shares of the Company's associated corporation as at 31 December 2022
Mr. Yim Kong	Beneficial owner	Personal interest	—	170,000[4]	68,000	102,000	0.0041%
Mr. Xu Song[3]	Beneficial owner	Personal Interest	—	240,000[4]	—	240,000	0.0096%
Mr. Lu Yongxin[2]	Beneficial owner	Personal Interest	—	144,000[4]	—	144,000	0.0058%

Notes:

(1) Mr. Yang Guolin was appointed as Executive Director of the Company on 22 June 2022. He was then redesignated from Executive Director of the Company to Non-executive Director of the Company on 8 December 2022.

(2) Mr. Lu Yongxin was appointed as Executive Director of the Company on 8 December 2022.

(3) Mr. Xu Song was appointed as Executive Director and Managing Director of the Company on 22 June 2022.

(4) As at 31 December 2022, the Company is a subsidiary of 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 CMPG (the "**Employee Incentive Scheme**"), which are subject to the terms and conditions of the Employee Incentive Scheme. In accordance with the exercise schedule under the Employee Incentive Scheme, the share options of Mr. Yim Kong and Mr. Lu Yongxin may be exercised in batches from 3 February 2022 to 3 February 2027 while the share options of Mr. Xu Song may be exercised in batches from 29 January 2023 to 29 January 2027. Such share options are 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/). Other than the 68,000 share options granted to Mr. Yim Kong which have been cancelled, none of these share options were exercised, lapsed or cancelled during the reporting period.

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2022, 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.

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 2022 and up to the date of this report are Mr. Wang Xiufeng, Mr. Xu Song, Mr. Tu Xiaoping, Mr. Lu Yongxin and Mr. Yang Guolin.

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' REMUNERATION

Details of the remuneration for Directors are set out in note 9 to the consolidated financial statements.

PENSION SCHEME

Details of the pension scheme, maintained by the Group, contributions made and forfeiture utilised during the year are set out on page 120 to 122 of this Annual Report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, 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	2,753,142,299[1,2,3,4]	68.77%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,726,538,299[2]	68.11%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,726,538,299[2]	68.11%
Broadford Global Limited	Interest of Controlled Corporation	1,829,171,436[2]	45.69%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,829,171,436[2]	45.69%
China Merchants Port Investment Development Company Limited	Interest of Controlled Corporation	1,829,171,436[2]	45.69%
CMPG	Beneficial Owner and Interest of Controlled Corporation	1,829,171,436[2]	45.69%
Port Development (Hongkong) Company Limited	Beneficial Owner	1,814,535,260	45.33%
China Merchants Union (BVI) Limited	Beneficial Owner	897,366,863[2]	22.42%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.07%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.07%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000[3]	0.07%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	23,604,000[4]	0.59%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000[4]	0.59%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000[4]	0.59%
China Merchants Investment Development (Hong Kong) Limited	Beneficial Owner	23,604,000[4]	0.59%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%

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 2,753,142,299 shares, which represents the aggregate of 2,726,538,299 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. China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**") is wholly-owned by CMSN, and Broadford Global Limited ("**Broadford**") is in turn wholly-owned by CMHK. Rainbow Reflection Limited ("**Rainbow**") is 74.66%-owned by Broadford and 25.34%-owned by China Merchants Union (BVI) Limited ("**CMU**"), which is in turn 50%-owned by CMHK. China Merchants Port Investment Development Company Limited ("**CMPID**") is in turn wholly-owned by Rainbow. CMPG is 45.96%-owned by CMPID.

   CMSN is deemed to be interested in 2,726,538,299 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 897,366,863 shares beneficially held by CMU and 1,829,171,436 shares deemed to be held by CMPG.

   Port Development (Hongkong) Company Limited ("**Port Development**") is wholly-owned by CMPG. CMPG is deemed to be interested in 1,829,171,436 shares. Such shares represented the aggregate of 1,814,535,260 shares beneficially owned by Port Development and 14,636,176 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 ("**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

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 2022, 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 connected transactions are set out below:

(i) Reference is made to the announcement of the Company dated 29 September 2022. On 29 September 2022, China Merchants Port Services (Shenzhen) Company Limited (招商港務(深圳)有限公司) ("**CMPS**") (a wholly-owned subsidiary of the Company) entered into six new separate lease agreements as lessee with China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) ("**CMSIZ**") as lessor (the "**New CMSIZ Lease Agreements**") to continue to lease certain parcels of land in the Shekou Industrial Park from CMSIZ for a two-year term ending on 31 December 2023. The annual total rental fees payable by CMPS to CMSIZ under the New CMSIZ Lease Agreements (as aggregated) is approximately RMB27.98 million (equivalent to approximately HK$31.09 million) for each of the two years ended/ending 31 December 2022 and 2023. The total rental fees payable by CMPS to CMSIZ over the two-year term under the New CMSIZ Lease Agreements (as aggregated) is approximately RMB55.96 million (equivalent to approximately HK$62.18 million). CMSIZ is a subsidiary of CMG, the ultimate holding company of the Company. Accordingly, CMSIZ is a connected person of the Company and the transactions contemplated under the New CMSIZ Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

(ii) Reference is made to the announcement of the Company dated 22 December 2022. On 22 December 2022, China Merchants International Port-Integrated Development (Hong Kong) Company Limited (招商局國際臨港發展(香港)有限公司) ("**PIDHK**") (a wholly-owned subsidiary of the Company) and CMPG entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which PIDHK transferred 51% of equity interest in Guangdong Yide Port Co., Ltd. (廣東頤德港口有限公司) ("**Guangdong Yide Port**") to CMPG for a total consideration of RMB131,866,700 (equivalent to approximately HK$144,908,462). As CMPG is a substantial shareholder of the Company and therefore a connected person of the Company, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(b) Details of the continuing connected transactions of the Group for the year ended 31 December 2022 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	Total Consideration for the year ended 31 December 2022 (HK$' million)	Annual Caps for the year ended 31 December 2022 (HK$' million)
Yiu Lian Dockyard Limited (友聯船廠有限公司) ("**Yiu Lian**")	Provision of ship berthing services for bringing ships into and from the Tsing Yi Terminal charged to the Group	(i)	(8.89)	(11.00)
China Merchants International Technology Company Limited (招商局國際科技有限公司) (formerly known as China Merchants Holdings (International) Technology Company Limited) ("**CMIT**")	Provision of technology consulting services, system maintenance, software development and information systems integration services charged to the Group	(ii)	(131.41)	(330.00)*
Shenzhen Mawan Wharf Co., Ltd. (深圳媽灣港航有限公司) ("**Mawan Wharf**")	Provision of terminal services charged to the Group	(iii)	(19.82)	(20.89)*
Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司) ("**Sinotrans & CSC**") and its associates ("**Sinotrans & CSC Group**")	Provision of port-related services charged by the Group	(iv)	38.08	38.46*
Ningbo Port Container Transportation Co., Ltd. Daxie Branch (寧波港集裝箱運輸有限公司大榭分公司) ("**Ningbo Port**")	Provision of surface transportation services charged to the Group	(v)	(96.20)	(120.00)*
MSC Mediterranean Shipping Company S.A. ("**MSC**") and its subsidiaries ("**MSC Group**")	Provision of terminal services charged by the Group	(vi)	1,694.25	2,100.00
Shenzhen Nanyou (Holdings) Ltd. (深圳市南油(集團)有限公司) ("**Shenzhen Nanyou**")	Provision of warehouse services charged to the Group	(vii)	(6.71)	(12.22)*
China Merchants Group Finance Company Limited (招商局集團財務有限公司) ("**China Merchants Finance**")	Placing of deposits	(viii)	2,082.00**	2,100.00**

Name of party	Nature of transaction	Note	Total Consideration for the year ended 31 December 2022 (HK$' million)	Annual Caps for the year ended 31 December 2022 (HK$' million)
Yiu Lian Dockyards (Shekou) Limited (友聯船廠 (蛇口) 有限公司) ("**Yiu Lian Shekou**"), Shenzhen Qianhai Sinotrans Supply Chain Management Co., Ltd. (深圳市前海中外運供應鏈管理有限公司) ("**Sinotrans Supply Chain**"), Shenzhen West Port Security Service Co., Ltd. (深圳西部港口保安服務有限公司) ("**Shenzhen West Security**"), CMPG, 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. (招商局保税物流有限公司) ("**CMBL**"), CMIT, Shenzhen Chiwan Port Development Co., Ltd. (深圳赤灣港口發展有限公司) ("**Chiwan Port**"), China Merchants Chuangrong (Shenzhen) Technology Co., Ltd. (招港創融 (深圳) 科技有限公司) ("**CM Chuangrong**"), Shenzhen Gangteng Internet Technology Co., Ltd. (深圳港騰互聯科技有限公司) ("**Shenzhen Gangteng**"), and Shenzhen China Merchants Property Management Co., Ltd. (深圳招商物業管理有限公司) ("**CM Property Management**")	Rental income from the leasing of residential housing received by the Group	(ix)	16.24	21.14*

Name of party	Nature of transaction	Note	Total Consideration for the year ended 31 December 2022 (HK$' million)	Annual Caps for the year ended 31 December 2022 (HK$' million)
CMPG and its subsidiaries (the "**CMPG Group**")	Provision of port and port-related services charged by the Group	(x)	16.40	20.73*
CMPG Group	Provision of port and freight forwarding services charged to the Group	(x)	(10.30)	(12.20)*
International Djibouti Industrial Parks Operation FZCO ("**Djibouti Industrial Parks Operation**")	Provision of logistics services charged to the Group	(xi)	(13.54)	(23.31)*
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	(xii)	—	4.39*
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	(xii)	—	(4.69)*
CMIT	Development of IT system for Haixing charged to the Group	(xiii)	(16.05)	(18.29)*

* The respective annual caps for these transactions 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.

** These figures represent the maximum amount of deposit actually placed by the Group and 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 2022, respectively.

Notes:

(i) Reference is made to the announcements of the Company dated 24 December 2021 and 29 December 2022. On 24 December 2021, China Merchants Container Services Limited (招商局貨櫃服務有限公司) ("**CMCS**"), an indirect wholly-owned subsidiary of the Company, and Yiu Lian entered into a ship berthing services agreement, pursuant to which Yiu Lian agreed to continue to provide barges for bringing ships into and from the Tsing Yi Terminal for a term of one year commencing on 1 January 2022 and ending on 31 December 2022 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 "**2022 Ship Berthing Services Agreement**"). The Directors had resolved to set the annual cap in respect of the aggregate ship berthing fees payable by CMCS under the 2022 Ship Berthing Services Agreement for the year ended 31 December 2022 at HK$11 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 2022 were HK$8.89 million. On 29 December 2022, in view of the expiry of the 2022 Ship Berthing Services Agreement on 31 December 2022, CMCS and Yiu Lian entered into a new ship berthing services agreement for a term of one year commencing on 1 January 2023 and ending on 31 December 2023 (the "**2023 Ship Berthing Services Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate ship berthing fees payable under the 2023 Ship Berthing Services Agreement for the year ending 31 December 2023 at HK$12 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) Reference is made to the announcements of the Company dated 24 December 2021 and 29 December 2022. On 24 December 2021, the Company and CMIT entered into a 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 commencing on 1 January 2022 and ending on 31 December 2022 (the "**2022 CMIT Comprehensive Services Framework Agreement**"). The Directors had resolved to set the annual cap in respect of the service fees payable by the Group under the 2022 CMIT Comprehensive Services Framework Agreement for the year ended 31 December 2022 at RMB300 million (equivalent to approximately HK$330 million). The aggregate service fees paid and payable by the Group to CMIT under the comprehensive services framework agreement in connection with the service period in the year ended 31 December 2022 were RMB112.87 million (equivalent to approximately HK$131.41 million). On 29 December 2022, in view of the expiry of the 2022 CMIT Comprehensive Services Framework Agreement on 31 December 2022, the Company and CMIT entered into a new comprehensive services framework agreement for a term of two years commencing on 1 January 2023 and ending on 31 December 2024 (the "**2023 CMIT Comprehensive Services Framework Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate service fees payable under the 2023 CMIT Comprehensive Services Framework Agreement for each of the two years ending 31 December 2023 and 31 December 2024 at RMB300 million (equivalent to approximately HK$330 million). CMIT is a subsidiary of CMPG, a substantial shareholder of the Company, and accordingly, a connected person of the Company.

(iii) Reference is made to the announcements of the Company dated 30 June 2022 and 29 December 2022. On 30 June 2022, Shenzhen Haixing Port Development Company Limited (深圳海星港口發展有限公司) ("**Haixing**") and Mawan Wharf entered into a terminal service cooperation agreement with respect to terminal services provided by Mawan Wharf to Haixing for the terminal operations at Berth #0 for a term of one year commencing on 1 January 2022 and ending on 31 December 2022 (the "**Mawan Wharf Terminal Service Cooperation Agreement**"). The service fees payable by Haixing to Mawan Wharf is calculated on the basis of the number of container cargos handled at Berth #0 at the rate of RMB220 (equivalent to approximately HK$242) per TEU in accordance with different conversion rates. The Directors had resolved to set the annual cap in respect of the service fees payable by Haixing under the Mawan Wharf Terminal Service Cooperation Agreement at RMB15.49 million (equivalent to approximately HK$17.02 million) for the year ended 31 December 2022. On 29 December 2022, the Directors resolved to revise the annual cap in respect of service fees payable by Haixing under the Mawan Wharf Terminal Service Cooperation Agreement upwards to RMB19.01 million (equivalent to approximately HK$20.89 million) for the year ended 31 December 2022 with terms of the Mawan Wharf Terminal Service Cooperation Agreement unchanged. The aggregate service fees paid and payable by Haixing to Mawan Wharf under the terminal service cooperation agreement in connection with the service period in the year ended 31 December 2022 were RMB17.02 million (equivalent to approximately HK$19.82 million). Since Haixing is owned respectively as to 67% by the Company and 33% by Sinotrans & CSC, which is a subsidiary of CMG, the ultimate holding company of the Company, Haixing is a connected subsidiary of the Company. In addition, Mawan Wharf is 40%-owned by Shenzhen Malai Storage Company Limited (a wholly-owned subsidiary of the Company) and 60%-owned by Media Port Investments Limited, which in turn is 50% owned by the Company and 50% owned by CMPG (a substantial shareholder of the Company). It is a subsidiary of the Company and an associate of CMPG and therefore a connected subsidiary of the Company.

(iv) Reference is made to the announcements of the Company dated 24 December 2021 and 29 December 2022. On 24 December 2021, the Company and Sinotrans & CSC entered into a comprehensive services framework agreement which sets out the framework for 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 for a term of three years commencing on 1 January 2022 and ending on 31 December 2024 (the "**2022 Sinotrans Services Framework Agreement**"). The Directors had resolved to set the annual caps in respect of the service fees for port-related services receivable by the Group from the Sinotrans & CSC Group for each of the three years ended/ending 31 December 2022, 2023 and 2024 at RMB26.00 million (equivalent to approximately HK$28.57 million), RMB34.00 million (equivalent to approximately HK$37.36 million) and RMB45.00 million (equivalent to approximately HK$49.45 million). On 29 December 2022, the Directors resolved to revise the annual caps in respect of the service fees for port-related services receivable by the Group from the Sinotrans & CSC Group under the 2022 Sinotrans Services Framework Agreement upwards to RMB35.00 million (equivalent to approximately HK$38.46 million), RMB50.00 million (equivalent to approximately HK$54.95 million) and RMB60.00 million (equivalent to approximately HK$65.93 million) for each of the three years ended/ending 31 December 2022, 2023 and 2024, with terms of the 2022 Sinotrans Services Framework Agreement unchanged. The annual caps for the service fees for agency services payable by the Group to Sinotrans & CSC and its associates constitute less than 0.1% of the applicable percentage ratios and are therefore de minimis continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The aggregate service fees received and receivable by the Group for port-related services in the year ended 31 December 2022 were RMB32.70 million (equivalent to approximately HK$38.08 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.

(v) Reference is made to the announcement of the Company dated 4 March 2022. On 4 March 2022, Ningbo Daxie China Merchants International Terminals Co., Ltd. (寧波大榭招商國際碼頭有限公司) ("**Ningbo Daxie**"), a non-wholly owned subsidiary of the Company, and Ningbo Port entered into a surface transportation contracting agreement, pursuant to which Ningbo Port agreed to provide surface transportation services for Ningbo Daxie for a term of one year commencing on 1 January 2022 and ending on 31 December 2022 (the "**Surface Transportation Contracting Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate service fees payable by Ningbo Daxie to Ningbo Port under the Surface Transportation Contracting Agreement at RMB95 million (equivalent to approximately HK$120 million) for the year ended 31 December 2022. The aggregate service fees paid and payable by Ningbo Daxie to Ningbo Port under the Surface Transportation Contracting Agreement in the year ended 31 December 2022 were RMB82.63 million (equivalent to approximately HK$96.20 million). Ningbo Port is a subsidiary of Ningbo Zhoushan Port Company Limited, a substantial shareholder of Ningbo Daxie, and accordingly, a connected person of the Company.

(vi) Reference is made to the announcement of the Company dated 8 April 2022, as supplemented by the announcement dated 14 April 2022. The Group has been providing various terminal services to the MSC Group with respect to various ports and terminals operated by the members of the Group (the "**Terminal Services Transactions**"). On 8 April 2022, pursuant to the connected transactions management policy adopted by the Company which sets out the guidelines to be abided by members of the Group for the purposes of conducting connected transactions pursuant to the Listing Rules, the relevant members of the Group and relevant members of the MSC Group entered into specific agreements in respect of each of the Terminal Services Transactions. On the same date, the Directors resolved to set an annual cap in respect of the annual aggregate maximum amount of service fees receivable by members of the Group from the MSC Group for the Terminal Services Transactions at HK$2,100 million for the period commencing on 30 March 2022 and ending on 31 December 2022 and at HK$2,520 million for the year ending 31 December 2023. The aggregate service fees received and receivable by the Group from the MSC Group for the Terminal Services Transactions in the year ended 31 December 2022 were HK$1,694.25 million. MSC indirectly holds 50% of Lomé Container Terminal S.A., a subsidiary of the Company, and accordingly, MSC is a connected person of the Company at a subsidiary level.

(vii) Reference is made to the announcement of the Company dated 29 September 2022. On 29 September 2022, CMBL, a 60%-owned subsidiary of the Company, and Shenzhen Nanyou entered into a warehouse service agreement in relation to the warehouse services to be provided by Shenzhen Nanyou to CMBL in Qianhai, Shenzhen for a term of three years commencing on the closing date which was within 10 business days after Shenzhen Nanyou had obtained the project completion acceptance report and the written completion records from the fire protection department (the "**Warehouse Service Agreement**"). The fees payable to Shenzhen Nanyou consist of service fees and management fees, and CMBL shall also provide security deposits to Shenzhen Nanyou in cash and bank guarantee. The Directors resolved to set the annual caps in respect of the total fees payable to Shenzhen Nanyou under the Warehouse Service Agreement for each of the years ended/ending 31 December 2022, 2023, 2024 and 2025 at RMB11.00 million (equivalent to approximately HK$12.22 million), RMB45.00 million (equivalent to approximately HK$50.00 million), RMB46.00 million (equivalent to approximately HK$51.11 million) and RMB36.00 million (equivalent to approximately HK$40.00 million). The total fees paid and payable by CMBL to Shenzhen Nanyou under the Surface Transportation Contracting Agreement in the year ended 31 December 2022 were RMB5.76 million (equivalent to approximately HK$6.71 million). Shenzhen Nanyou is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(viii) Reference is made to the announcement of the Company dated 29 September 2022. On 19 December 2019, the Company and China Merchants Finance entered into a financial services agreement 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) (the "**2020 Financial Services Agreement**"). 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 the year ended 31 December 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 annual caps for the fees payable for the (i) provision of clearing and settlement services, (ii) provision of foreign exchange clearance and settlement services and (iii) provision of other financial services are less than 0.1% of the applicable percentage ratios and are therefore de minimis continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. With respect to the depositing of money by the Group with China Merchants Finance, the maximum amount of deposit placed by the Group during the year ended 31 December 2022 was HK$2,082 million. On 29 September 2022, in view of the expiry of the 2020 Financial Services Agreement on 22 December 2022, the Company and China Merchants Finance entered into a new financial services agreement for a term of three years commencing on 23 December 2022 and ending on 22 December 2025 (the "**2023 Financial Services Agreement**"). With respect to (i) the depositing of money by the Group with China Merchants Finance, the Directors had resolved to set the maximum amount of deposit at HK$2,100 million at any point of time during the term of the 2023 Financial Services Agreement. With respect to (ii) the fees payable by the Group for the provision of clearing and settlement services; (iii) the fees payable by the Group for the provision of foreign exchange clearance and settlement services; (iv) the fees payable by the Group for the provision of other financial services and (v) the interest income arising from the depositing of money by the Group under the 2023 Financial Services Agreement, the Directors resolved to set the annual caps at HK$10 million, HK$10 million, HK$10 million and HK$81 million, respectively, for each of the years ending 31 December 2023, 2024 and 2025. China Merchants Finance is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(ix) Reference is made to the announcements of the Company dated 30 June 2021 and 31 October 2022. 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 (together the "**Existing Qianhai Bay Garden Lease Agreements**") with (i) Yiu Lian Shekou, (ii) Chiwan Container Terminal, (iii) CMBL, (iv) CMIT, (v) Chiwan Port, (vi) Shenzhen West Security and (vii) CMPG (together the "**Existing 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 Existing Lessees. The Directors had resolved to set aggregate annual caps in respect of the rental income receivable by the Group under the Existing 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 ended 31 December 2021 and 31 December 2022, respectively. Between 27 May 2022 and 31 October 2022, in view of the expiry of the Existing Qianhai Garden Lease Agreements, Qianhai Bay Property entered new lease agreements with (1) Yiu Lian Shekou, (ii) Sinotrans Supply Chain, (iii) Shenzhen West Security, (iv) CMPG, (v) Chiwan Container Terminal, (vi) CMBL, (vii) CMIT, (viii) Chiwan Port, (ix) CM Chuangrong, (x) Shenzhen Gangteng and (xi) CM Property Management (together the "**New Lessees**") respectively to lease numerous residential units located at Qianhai Bay Garden as staff quarters for the employees of the New Lessees for the period commencing on dates between 1 May 2022 to 1 December 2022 and ending on dates between 30 April 2023 to 30 November 2023 (together the "**New Qianhai Bay Garden Lease Agreements**"). The Directors resolved to set aggregate annual caps in respect of the rental income receivable by the Group under the New Qianhai Bay Garden Lease Agreements at RMB5 million (equivalent to approximately HK$5.51 million) and RMB16.80 million (equivalent to approximately HK$18.67 million) for the years ended 31 December 2022 and ending 31 December 2023, respectively. The aggregate rental income received and receivable by the Group under the Existing Qianhai Bay Garden Lease Agreements and the New Qianhai Bay Garden Lease Agreements in the year ended 31 December 2022 were RMB13.95 million (equivalent to approximately HK$16.24 million). Each of the Existing Lessees and New Lessees is an indirect subsidiary of CMG, the ultimate holding company of the Company and accordingly each of them is a connected person of the Company.

(x) Reference is made to the announcement of the Company dated 24 December 2021. On 24 December 2021, CMPG and the Company entered into a service framework agreement (the "**2022 CMPG Services Framework Agreement**") which sets out the framework for the provision of 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 for a term of two years commencing on 1 January 2022 and ending on 31 December 2023. Pursuant to the 2022 CMPG Services Framework Agreement, the prices for the provision of services 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 Directors had 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 years ended/ending 31 December 2022 and 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$12.20 million) and RMB13 million (equivalent to approximately HK$15.85 million) for the years ended/ending 31 December 2022 and 2023, respectively. 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 2022 were RMB14.09 million (equivalent to approximately HK$16.40 million) and RMB8.84 million (equivalent to approximately HK$10.30 million), respectively. CMPG is a substantial shareholder of the Company, and accordingly, CMPG is a connected person of the Company.

(xi) Reference is made to the announcement of the Company dated 24 December 2021. On 24 December 2021, China Merchants Holdings (Djibouti) FZE ("**CM Djibouti**"), a wholly-owned subsidiary of the Company, and Djibouti Industrial Parks Operation entered into a cooperation agreement (the "**2022 Djibouti Cooperation Agreement**") for a term of one year commencing on 1 January 2022 and ending on 31 December 2022. Pursuant to the 2022 Djibouti Cooperation Agreement, Djibouti Industrial Parks Operation from time to time provided logistics services to CM Djibouti, including customs clearance services and assistance with customs exemption applications, and CM Djibouti from time to time provided logistics services to Djibouti Industrial Parks Operation, including, among others, transportation, storage services, chambering service, license usage, forklift rental. Payment for the services shall be made in accordance with the agreed rates set out in the 2022 Djibouti Cooperation Agreement which were negotiated between the parties at arm's length. The Directors had resolved to set the annual cap in respect of the service fees payable by CM Djibouti to Djibouti Industrial Parks Operation as US$3 million (equivalent to approximately HK$23.31 million) for the year ended 31 December 2022. The aggregate service fees paid and payable by CM Djibouti to Djibouti Industrial Parks Operation in the year ended 31 December 2022 was US$1.73 million (equivalent to approximately HK$13.54 million). The annual cap for the service fees receivable by CM Djibouti from Djibouti Industrial Parks Operation constitutes less than 0.1% of the applicable percentage ratios and is therefore a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. Djibouti Industrial Parks Operation is an indirect subsidiary of CMG, the ultimate holding company of the Company, and accordingly a connected person of the Company.

(xii) Reference is made to the announcement of the Company dated 24 December 2021. On 24 December 2021, Haixing (a connected subsidiary of the Company) entered into a series of agreements with Shekou Container Terminal Co., Ltd (蛇口集裝箱碼頭有限公司) ("**Shekou Container Terminal**") (a subsidiary of the Company), Chiwan Container Terminal, Chiwan Port Container and Mawan Port for a term of two years commencing 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 provided technology services to Haixing for the Mawan Smart Port (together, the "**Mawan Smart Port Technology Services Agreements**"). The Directors had resolved to set the annual cap in respect of the service fees receivable by Shekou Container Terminal from Haixing under the respective Mawan Smart Port Technology Services Agreement as RMB3.6 million (equivalent to approximately HK$4.39 million) for the year ended 31 December 2022. There is no service fees received by Shekou Container Terminal from Haixing under the respective Mawan Smart Port Technology Services Agreement for the year ended 31 December 2022. The Directors had further resolved to set the annual cap in respect of the 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 RMB3.85 million (equivalent to approximately HK$4.69 million) for the year ended 31 December 2022. There is no 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 2022. 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 a connected person of the Company.

(xiii) Reference is made to the announcements of the Company dated 7 July 2020 and 24 December 2021. On 7 July 2020, Haixing and CMIT entered into a supplemental framework agreement (the "**Haixing IT System Framework Agreement**") to the IT system development agreement dated 19 March 2019 (the "**Haixing IT System Development Agreement**"), with respect to the development of the Haixing IT System by CMIT for Haixing. Pursuant 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 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. Due to delays to development of the IT system, on 24 December 2021, the Directors resolved to set an annual cap in respect of the service fees 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 ended 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 2022 was RMB13.79 million (equivalent to approximately HK$16.05 million). CMIT is a subsidiary of CMPG, a substantial shareholder of the Company, and accordingly a connected person of the Company.

(c) The Independent Non-executive Directors have reviewed the continuing connected transactions set out in paragraph (b) 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 (b) of this section, the aggregate ship berthing service fees paid have not exceeded HK$11 million, the annual cap for the year ended 31 December 2022;

(ii) in respect of the provision of technology consulting services, software development and information systems integration services by CMIT to members of the Group, details of which are set out in note (ii) to paragraph (b) of this section, the aggregate service fees paid have not exceeded RMB300 million, the annual cap for the year ended 31 December 2022;

(iii) in respect of the provision of terminal services by Mawan Wharf to Haixing, details of which are set out in note (iii) to paragraph (b) of this section, the aggregate service fees paid have not exceeded RMB19.01 million, the annual cap for the year ended 31 December 2022;

(iv) in respect of 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, details of which are set out in note (iv) to paragraph (b) of this section, the aggregate service fees for port-related services received for the year ended 31 December 2022 have not exceeded RMB35 million, the annual cap for the service fees for port-related services for the year ended 31 December 2022;

(v) in respect of the provision of surface transportation services by Ningbo Port to Ningbo Daxie, details of which are set out in note (v) to paragraph (b) of this section, the aggregate service fees for surface transportation services have not exceeded RMB95 million, the annual cap for the year ended 31 December 2022;

(vi) in respect of the provision of terminal services by the Group to the MSC Group, details of which are set out in note (vi) to paragraph (b) of this section, the aggregate service fees for Terminal Services Transactions have not exceeded HK$2,100 million, the annual cap for the year ended 31 December 2022;

(vii) in respect of the provision of warehouse services by Shenzhen Nanyou to CMBL, details of which are set out in note (vii) to paragraph (b) of this section, the aggregate service fees have not exceeded RMB11.00 million, the annual cap for the year ended 31 December 2022;

(viii) in respect of the placing of deposits with China Merchants Finance, details of which are set out in note (viii) to paragraph (b) of this section, the amount of deposit that was made by the Group with China Merchants Finance during the year ended 31 December 2022 has not exceeded HK$2,100 million, the annual caps for the year ended 31 December 2022; and

(ix) in respect of the leasing of residential units under the Existing New Qianhai Bay Garden Lease Agreements and New Qianhai Bay Garden Lease Agreements, details of which are set out in note (ix) to paragraph (b) of this section, the aggregate amount of rental income received by the Group from the Existing Lessees and New Lessees for the year ended 31 December 2022 have not exceeded RMB18 million, the relevant annual caps for the aggregate rental income for the year ended 31 December 2022;

(x) 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 (x) to paragraph (b) of this section, the aggregate service fees received by the Group from CMPG Group and paid by the Group to CMP Group for the year ended 31 December 2022 have not exceeded RMB17 million and RMB10 million, the aggregate annual caps for the year ended 31 December 2022, respectively;

(xi) in respect of the provision of logistics services by Djibouti Industrial Parks Operation to the Group, details of which are set out in note (xi) to paragraph (b) of this section, the aggregate service fees have not exceeded US$3 million, the annual cap for the year ended 31 December 2022;

(xii) in respect of the technology services provided: (i) by Shekou Container Terminal to Haixing; and (ii) by Chiwan Container Terminal, Chiwan Port Container and Mawan Port to Haixing, details of which are set out in note (xii) to paragraph (b) of this section, the amount of service fees paid: (i) by Haixing to the Group; and (ii) by Haixing to Chiwan Container Terminal, Chiwan Port Container and Mawan Port for the year ended 31 December 2022 have not exceeded: (i) RMB3.6 million; and (ii) RMB3.85 million, respectively, the aggregate annual caps for the year ended 31 December 2022; and

(xiii) 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 (xiii) to paragraph (b) of this section, the amount of service fees paid by the Group to CMIT for the year ended 31 December 2022 did not exceed RMB15 million, the annual cap for service fees for the year ended 31 December 2022.

The Company has followed the pricing terms and policies set out in the respective announcements for each of the continuing connected transactions listed in paragraph (b) of this section.

In particular, the Company has adequate internal controls in place to ensure that the respective pricing bases are complied with and that individual transactions are indeed conducted within the framework of the relevant agreements, for example:

(i) the finance department of the Company performs half-yearly reporting of the actual transaction amounts;

(ii) the Company specifically designates personnel from the relevant departments to monitor the actual transaction amounts and report to the management team on a quarterly basis to ensure that the respective annual caps are not exceeded; and

(iii) the Company conducts internal control reviews on a continuous basis, including of its financial, operational and compliance controls.

Save as disclosed above and in the section headed "Related Party Transactions" in note 40 to the consolidated financial statements, there are no other contracts of significance between the Company or any of its subsidiaries, and its controlling shareholders or any of its subsidiaries, at the end of the year or at any time during the year.

The Company confirms that 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 (b) of this section in pages 67 to 74 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of sales and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total sales and purchases in 2022, respectively. The Group has strived to maintain a good relationship with its major customers and suppliers.

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

EMPLOYEES

The Group's key relationships with its employees are set out in the Management Discussion and Analysis on pages 14 to 31 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, 31 March 2023

Independent Auditor’s Report

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 83 to 207, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Accounting for the Group's interests in associates</td></tr>
<tr><td>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 consolidated financial statements of the Company 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 42 to the consolidated financial statements. The Group's share of profits of associates for the year ended 31 December 2022 was HK$7,795 million, representing approximately 86% 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$75,656 million as at 31 December 2022, representing approximately 62% of the net assets of the Group as set out in the consolidated statement of financial position.</td><td>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 their 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.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

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$5,613 million as at 31 December 2022, among which HK$5,120 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 expectations 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 2022 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

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK$'million	2021 HK$'million
Revenue	4	**12,545**	11,850
Cost of sales		**(6,977)**	(6,493)
Gross profit		**5,568**	5,357
Other income and other (losses)/gains, net	7	**(635)**	981
Administrative expenses		**(1,516)**	(1,551)
Finance income	11	**407**	400
Finance costs	11	**(1,861)**	(1,815)
Finance costs, net	11	**(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	12	**(1,046)**	(1,241)
Profit for the year	6	**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
Earnings per share for profit attributable to equity holders of the Company	14		
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 HK$'million	2021 HK$'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 HK$'million	2021 HK$'million
ASSETS			
Non-current assets			
Goodwill	15	**5,613**	5,641
Intangible assets	15	**8,380**	8,607
Property, plant and equipment	16	**24,217**	26,846
Right-of-use assets	17	**16,735**	17,650
Investment properties	18	**8,265**	9,034
Interests in associates	20	**75,656**	75,209
Interests in joint ventures	21	**9,319**	8,874
Other financial assets	22	**8,860**	10,516
Other non-current assets	23	**258**	203
Deferred tax assets	34	**323**	394
		157,626	162,974
Current assets			
Inventories	24	**175**	166
Other financial assets	22	**2,468**	3,016
Debtors, deposits and prepayments	25	**2,257**	2,134
Taxation recoverable		**—**	3
Cash and bank balances	26	**9,629**	9,980
		14,529	15,299
Non-current assets held for sale	27	**—**	417
		14,529	15,716
Total assets		**172,155**	178,690

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK$'million	2021 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**46,668**	44,017
Reserves		**47,899**	51,519
Proposed dividend	13	**2,402**	2,726
		96,969	98,262
Perpetual capital securities	29	**6,246**	6,241
Non-controlling interests	19(b)	**19,361**	20,295
Total equity		**122,576**	124,798
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	31	**17,968**	22,231
Lease liabilities	32	**885**	886
Other non-current liabilities	33	**4,958**	4,735
Deferred tax liabilities	34	**4,766**	4,851
		28,577	32,703
Current liabilities			
Creditors and accruals	35	**3,514**	4,304
Bank and other borrowings	31	**16,561**	14,551
Lease liabilities	32	**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

The consolidated financial statements on pages 83 to 207 were approved and authorised for issue by the Board of Directors on 31 March 2023 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 2022

	Note	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 30)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million	HK$'million
As at 1 January 2022		44,017	8,432	45,813	98,262	6,241	20,295	124,798
COMPREHENSIVE INCOME								
Profit for the year		—	—	7,781	7,781	229	1,019	9,029
Other comprehensive expense								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	(8,151)	—	(8,151)	—	(1,076)	(9,227)
Release of reserve upon disposal of a subsidiary	38	—	(4)	28	24	—	—	24
Share of other reserves of associates		—	(67)	—	(67)	—	—	(67)
Net actuarial loss on defined benefit plans of subsidiaries		—	—	(34)	(34)	—	(24)	(58)
Share of net actuarial loss on defined benefit plans of an associate and a joint venture		—	—	(6)	(6)	—	—	(6)
Total other comprehensive expense for the year, net of tax		—	(8,222)	(12)	(8,234)	—	(1,100)	(9,334)
Total comprehensive (expense)/income for the year		—	(8,222)	7,769	(453)	229	(81)	(305)
TRANSACTIONS WITH OWNERS								
Issue of shares in lieu of dividends	28	2,651	—	—	2,651	—	—	2,651
Transfer to statutory reserve		—	163	(163)	—	—	—	—
Disposal of a subsidiary	38	—	—	—	—	—	(120)	(120)
Contribution from immediate holding company		—	8	—	8	—	—	8
Reversal of contribution from immediate holding company		—	(15)	—	(15)	—	—	(15)
Share of other changes in equity attributable to equity holders of associates and joint ventures		—	108	—	108	—	—	108
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	—	(68)	(68)
Distribution to holders of perpetual capital securities	29	—	—	—	—	(224)	—	(224)
Dividends		—	—	(3,592)	(3,592)	—	(665)	(4,257)
Total transactions with owners for the year		2,651	264	(3,755)	(840)	(224)	(853)	(1,917)
As at 31 December 2022		46,668	474	49,827	96,969	6,246	19,361	122,576

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2022

	Note	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 30)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'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 Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'million	2021 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	37(a)	**7,139**	6,551
Hong Kong Profits Tax paid		**(1)**	(2)
PRC corporate income tax paid		**(698)**	(652)
Overseas profits tax paid		**(120)**	(310)
Withholding tax paid on dividends received		**(131)**	(149)
Dividends received from associates and joint ventures		**2,592**	3,347
Net cash generated from operating activities		**8,781**	8,785
Cash flows used in investing activities			
Placement of other deposits and structured deposits		**(6,881)**	(9,678)
Investments in associates and joint ventures		**(2,801)**	(1)
Purchase of property, plant and equipment and port operating rights		**(1,514)**	(1,834)
Tax payments relating to resumption of land parcels in previous years		**(1,145)**	—
Disposal of a subsidiary	38	**(22)**	—
Proceeds from withdrawal of other deposits and structured deposits		**8,169**	6,938
Interest income received		**360**	307
Repayment from associates		**—**	39
Proceeds from an associate		**—**	102
Proceeds from disposal of property, plant and equipment		**10**	23
Deemed disposal of a subsidiary	20	**—**	(38)
Compensation received for resumption of land parcels at Shantou		**—**	60
Net cash used in investing activities		**(3,824)**	(4,082)
Net cash inflow before financing activities carried forward		**4,957**	4,703

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'million	2021 HK$'million
Net cash inflow before financing activities brought forward	4,957	4,703
Cash flows used in financing activities		
Proceeds from bank loans	21,466	5,906
Advance from an associate	311	200
Loans from fellow subsidiaries	119	368
Loan from immediate holding company	217	299
Repayment of bank loans	(19,531)	(8,768)
Interests paid	(1,686)	(1,522)
Dividends paid to ordinary shareholders	(941)	(1,194)
Dividends paid to non-controlling equity holders of subsidiaries	(687)	(386)
Distribution paid to holders of perpetual capital securities	(224)	(223)
Repayment of advance from an associate	(198)	(145)
Repayment of loans from fellow subsidiaries	(178)	(376)
Repayment of loans from non-controlling equity holders of a subsidiary	(549)	—
Repayment of notes payable	(6,860)	(185)
Repayment of lease liabilities	(79)	(103)
Net proceeds on issue of notes payable	3,916	—
Net cash used in financing activities	(4,904)	(6,129)
Increase/(decrease) in cash and cash equivalents	53	(1,426)
Cash and cash equivalents at 1 January	9,974	11,217
Effect of foreign exchange rate changes	(402)	183
Cash and cash equivalents at 31 December, represented by cash and bank balances	9,625	9,974

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022, 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 and indirectly held 45.69% 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 22.42% 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 68.11% 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 36.22% 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 68.77% 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 that 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") and equity instruments at fair value through other comprehensive income ("FVTOCI"), 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 Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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 2022 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice 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

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.

2.2 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

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

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets ("HKAS 37")" or HK(IFRIC)-Int 21 "Levies", in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

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.

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 "Financial Instruments" ("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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(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 holding 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.

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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").

(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 (losses)/gains, net".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(iii) Group companies

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

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

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

(iv) Disposal and partial disposal of foreign operation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including costs of testing whether the related assets is functioning properly 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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 (losses)/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 (losses)/gains, net".

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Goodwill and intangible assets

(i) Goodwill

Goodwill arising on the acquisition of 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Goodwill and intangible assets (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(i) Classification (continued)

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 (losses)/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 (losses)/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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement and recognition of ECL (continued)

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

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

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

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

2.12 Inventories

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

2.14 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities and equity (continued)

Financial liabilities at amortised cost

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 subsequent measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition/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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

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. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service), until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

Defined benefit costs are categorised as follows:

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

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

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

(ii) Other post-employment obligations

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

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

(iii) Termination obligations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(iv) Short-term employee benefits

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

2.20 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering 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.

2.21 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 (continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(ii) The Group as a lessee (continued)

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 assets 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.

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”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(ii) The Group as a lessee (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(ii) The Group as a lessee (continued)

Lease modifications (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(iii) The Group as a lessor (continued)

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.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements of the Company 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 (losses)/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 note 41.

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 2022, a deferred tax asset of HK$32 million (2021: HK$95 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$1,570 million (2021: HK$2,286 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.

	2022 HK$'million	2021 HK$'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 (Note)	**190**	221
	12,545	11,850

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$55 million (2021: HK$55 million) during the year ended 31 December 2022.

4. REVENUE (CONTINUED)

Performance obligations for contracts with customers

Terminal handling services

The Group provides terminal handling services as described above. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the contract prices, net of discounts, if any. Refund liabilities are recognised at the end of each reporting period for expected discounts payable to customers in relation to sales.

Warehousing services

The Group provides warehousing services as described above. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the contract prices.

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

5. SEGMENT INFORMATION (CONTINUED)

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

(iii) Other operations mainly include property development and investment and 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 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	
	2022 HK$'million	2021 HK$'million	**2022 HK$'million**	2021 HK$'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

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 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

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 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)

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 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)	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

5. SEGMENT INFORMATION (CONTINUED)

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

6. PROFIT FOR THE YEAR

	2022 HK$'million	2021 HK$'million
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments) (note 8)	**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

7. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2022 HK$'million	2021 HK$'million
Net (loss)/gain on deemed disposal of partial interest in associates (note 20)	**(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 (note 20)	**—**	17
Net change in fair value of financial liabilities at FVTPL	**—**	(575)
Net change in fair value of financial assets at FVTPL	**(358)**	(30)
Net change in fair value of investment properties (note 18)	**7**	21
Net allowance for credit losses of trade debtors and other debtors	**(276)**	(291)
Net exchange (losses)/gains	**(481)**	8
Gain on modification of contract terms for a concession arrangement (note 33(a))	**—**	944
Operating indemnification (Note)	**249**	—
Dividend income from equity investments	**92**	88
Government grants	**184**	268
Others	**37**	67
	(635)	981

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

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'million	2021 HK$'million
Wages, salaries and bonus	**1,859**	1,790
Equity-settled share based payment	**(7)**	(2)
Retirement benefit scheme contributions	**455**	430
	2,307	2,218

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	2022 Total HK$'million	2021 Total HK$'million
Executive Directors:						
Wang Xiufeng	—	1.32	0.99	0.39	2.70	0.80
Xu Song (Note (ii))	—	0.44	1.42	0.13	1.99	N/A
Tu Xiaoping (Note (iii))	—	0.98	1.14	0.33	2.45	N/A
Lu Yongxin (Note (iv))	—	1.02	2.59	0.31	3.92	N/A
Bai Jingtao (Note (v))	N/A	N/A	N/A	N/A	N/A	1.92
Ge Lefu (Note (vi))	N/A	N/A	N/A	N/A	N/A	1.52
Wang Zhixian (Note (x))	—	0.45	2.64	0.13	3.22	2.43
Zheng Shaoping (Note (vii))	N/A	N/A	N/A	N/A	N/A	1.11
Non-executive Directors:						
Deng Renjie (Note (viii))	—	—	—	—	—	—
Yim Kong (Note (ix))	—	1.20	1.30	0.02	2.52	0.25
Yang Guolin (Note (x))	—	0.91	0.22	0.20	1.33	N/A
Liu Weiwu (Note (xi))	—	—	—	—	—	—
Deng Weidong (Note (xii)	—	—	—	—	—	—
Independent non-executive Directors:						
Kut Ying Hay (Note (xv))	0.30	—	—	—	0.30	0.28
Lee Yip Wah Peter (Note (xiii))	0.30	—	—	—	0.30	0.28
Li Ka Fai David	0.30	—	—	—	0.30	0.28
Bong Shu Ying Francis	0.30	—	—	—	0.30	0.28
Wong Pui Wah (Note (xiv))	0.10	—	—	—	0.10	N/A
Chan Hiu Fung Nicholas (Note (xiii))	0.02	—	—	—	0.02	N/A
Chan Yuen Sau Kelly (Note (xv)	N/A	N/A	N/A	N/A	N/A	N/A
Total for the year ended 31 December 2022	1.32	6.32	10.30	1.51	19.45	
Total for the year ended 31 December 2021	1.12	5.30	1.69	1.04		9.15

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.

9. DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

(i) Bonus is recommended by the Remuneration Committee and is approved by the Board of Directors, having regard to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Xu Song was appointed as an executive director and the Managing Director of the Company on 22 June 2022.

(iii) Mr. Tu Xiaoping was appointed as an executive director of the Company on 8 December 2022.

(iv) Mr. Lu Yongxin was appointed as an executive director of the Company on 8 December 2022.

(v) Mr. Bai Jingtao resigned as the Managing Director of the Company on 26 August 2021.

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

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

(viii) Mr. Deng Renjie has been redesignated from an executive director to a non-executive director of the Company on 2 September 2022.

(ix) Mr. Yim Kong has been redesignated from the Managing Director of the Company to the Vice Chairman of the Board of Director of the Company on 22 June 2022. Mr. Yim Kong has been redesignated from an executive director to a non-executive director of the Company on 8 December 2022.

(x) Mr. Wang Zhixian resigned as an executive director of the Company and Mr. Yang Guolin was appointed as an executive director of the Company on 22 June 2022. Mr. Yang Guolin has been redesignated from an executive director to a non-executive director of the Company on 8 December 2022.

(xi) Mr. Liu Weiwu has been redesignated from an executive director to a non-executive director of the Company on 2 September 2022. Mr. Liu Weiwu resigned as a non-executive director of the Company on 8 December 2022.

(xii) Mr. Deng Weidong has been redesignated from an executive director to a non-executive director of the Company on 2 September 2022. Mr. Deng Weidong resigned as a non-executive director of the Company on 8 December 2022.

(xiii) Mr. Lee Yip Wah Peter resigned as an independent non-executive director of the Company and Mr. Chan Hiu Fung Nicholas was appointed as an independent non-executive director on 8 December 2022.

(xiv) Ms. Wong Pui Wah was appointed as an independent non-executive director of the Company on 2 September 2022.

(xv) Mr. Kut Ying Hay resigned as an independent non-executive director of the Company and Ms. Chan Yuen Sau Kelly was appointed as an independent non-executive director on 21 March 2023.

(xvi) 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 eleven (2021: thirteen) senior management of the Company for the year ended 31 December 2022, seven (2021: six) of them are directors of the Company and their remuneration has been disclosed in note 9. The total emoluments of the remaining four (2021: seven) senior management is as follows:

	2022 HK$'million	2021 HK$'million
Salaries, other allowances and benefit-in-kinds	3	8
Performance related incentive payments	5	3
	8	11

The emoluments fell within the following bands:

	Number of senior management	
	2022	2021
Below HK$1,500,000	2	3
HK$1,500,001 - HK$2,000,000	—	2
HK$2,000,001 - HK$2,500,000	—	2
HK$2,500,001 - HK$3,000,000	2	—
	4	7

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2021: two) are directors and two (2021: three) are senior management of the Company whose emoluments are included in notes 9 and 10(a), respectively.

During the years ended 31 December 2022 and 2021, 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 2022 and 2021.

11. FINANCE INCOME AND COSTS

	2022 HK$'million	2021 HK$'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)

12. 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 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:

	2022 HK$'million	2021 HK$'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

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:

	2022 HK$'million	2021 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	**1,963**	3,372
Expected tax calculated at the weighted average applicable tax rate	**575**	1,034
Income not subject to tax	**(462)**	(588)
Expenses not deductible for tax purposes	**498**	293
Tax losses and other temporary differences not recognised	**61**	65
Utilisation of previously unrecognised tax losses	**(88)**	(17)
Withholding tax on earnings of subsidiaries, associates and joint ventures	**462**	454
Tax charge	**1,046**	1,241

The weighted average applicable tax rate was 29.3% (2021: 30.7%).

13. DIVIDENDS

	2022 HK$'million	2021 HK$'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

Details of scrip dividends are set out in note 28.

At a meeting held on 31 March 2023, the Board of Directors proposed a final dividend of 60 HK cents (2021: 72 HK cents) per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

The amount of proposed final dividend for 2022 was based on 4,003,383,046 (2021: 3,785,619,729) shares in issue as at 31 March 2023.

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:

	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.

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 2022				
As at 1 January 2022	**5,641**	**8,230**	**377**	**8,607**
Exchange adjustments	**(27)**	**(15)**	**14**	**(1)**
Addition	**—**	**59**	**—**	**59**
Disposal of a subsidiary (note 38)	**(1)**	**—**	**—**	**—**
Amortisation (Note (a))	**—**	**(285)**	**—**	**(285)**
As at 31 December 2022	**5,613**	**7,989**	**391**	**8,380**
As at 31 December 2022				
Cost	**6,231**	**10,113**	**398**	**10,511**
Accumulated amortisation and impairment	**(618)**	**(2,124)**	**(7)**	**(2,131)**
Net book value	**5,613**	**7,989**	**391**	**8,380**
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

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 7 (2021: 8) groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2022 HK$'million	2021 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– Pearl River Delta (comprising 4 (2021: 5) groups of CGUs)	**2,351**	2,547
– Others (comprising 2 (2021: 2) groups of CGUs)	**221**	241
	2,572	2,788
– Brazil	**3,041**	2,853
	5,613	5,641

Included in the ports operation in Pearl River Delta and Brazil as at 31 December 2022 are the goodwill attributable to Mega Shekou Container Terminals Limited and TCP Participações S.A. ("TCP") amounting to HK$2,079 million (2021: HK$2,274 million) and HK$3,041 million (2021: HK$2,853 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 forecasts approved by management covering periods ranging from 5 years (2021: 5 years to 10 years) for ports operation in Mainland China, Hong Kong and Taiwan and 26 years (2021: 27 years) for ports operation in Brazil, 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 forecasts 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, terminal growth rates and discount rates have been reassessed as at 31 December 2022 taking into consideration higher degree of estimation uncertainties in the current year due to volatility in financial markets. Cash flows beyond the forecasted period are extrapolated using the estimated terminal growth rates stated below.

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

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

	Terminal growth rate (Note (i))		Discount rate (Note (ii))	
	2022	2021	**2022**	2021
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– Pearl River Delta	**2.00% - 2.50%**	2.24% - 2.36%	**9.43% - 12.53%**	7.43% - 12.86%
– Others	**2.00%**	2.24%	**11.20% - 12.08%**	11.45% - 11.53%
– Brazil	**2.62%**	3.00%	**20.45%**	17.45%

15. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(b) (continued)

Notes:

(i) Weighted average terminal growth rates are used to extrapolate cash flows beyond the forecasted period which do not exceed the historical trend of the respective CGUs nor the industry terminal 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 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% (2021: 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$565 million (2021: HK$662 million) and HK$256 million (2021: HK$290 million) respectively.

The sensitivity analysis using a higher/lower terminal growth rate of 0.1% (2021: 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$135 million (2021: HK$161 million) and HK$6 million (2021: HK$33 million) respectively.

(c) Included in port operating rights as at 31 December 2022 is an amount of HK$3,757 million (2021: HK$4,097 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 2022 is also an amount of HK$3,261 million (2021: HK$3,128 million) related to the concession for operation of a terminal in Brazil for a 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$971 million (2021: HK$1,005 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 (a))	Assets under construction HK$'million	Total HK$'million
Year ended 31 December 2022						
As at 1 January 2022	**1,372**	**17,099**	**5,820**	**1,015**	**1,540**	**26,846**
Exchange adjustments	**(96)**	**(987)**	**(335)**	**(43)**	**(32)**	**(1,493)**
Additions	—	**146**	**241**	**31**	**619**	**1,037**
Disposal of a subsidiary (note 38)	**(2)**	**(305)**	**(111)**	**(1)**	—	**(419)**
Disposals	—	**(17)**	**(12)**	—	—	**(29)**
Transfer	**9**	**315**	**314**	**67**	**(705)**	—
Transfer to right-of-use assets	—	—	—	—	**(159)**	**(159)**
Depreciation (Note (b))	**(68)**	**(756)**	**(657)**	**(85)**	—	**(1,566)**
As at 31 December 2022	**1,215**	**15,495**	**5,260**	**984**	**1,263**	**24,217**
As at 31 December 2022						
Cost	**1,760**	**23,036**	**12,967**	**1,653**	**1,263**	**40,679**
Accumulated depreciation and impairment	**(545)**	**(7,541)**	**(7,707)**	**(669)**	—	**(16,462)**
Net book value	**1,215**	**15,495**	**5,260**	**984**	**1,263**	**24,217**
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)
Transfer	61	1,559	1,303	50	(2,973)	—
Transfer from investment properties	281	—	—	—	—	281
Transfer to investment properties	(13)	—	—	—	—	(13)
Transfer to right-of-use assets	—	—	—	—	(135)	(135)
Depreciation (Note (b))	(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

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Others comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$729 million (2021: HK$755 million), HK$65 million (2021: HK$51 million) and HK$190 million (2021: HK$209 million) respectively as at 31 December 2022.

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

	2022 HK$'million	2021 HK$'million
Cost of sales	**1,504**	1,459
Administrative expenses	**62**	52
	1,566	1,511

(c) As at 31 December 2021, harbour works, buildings and dockyard and assets under construction with aggregate net book value of HK$356 million were pledged as security for the Group's bank borrowings (note 31(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 2022						
Carrying amount	**9,726**	**122**	**6,276**	**1**	**610**	**16,735**
As at 31 December 2021						
Carrying amount	10,656	133	6,235	3	623	17,650
For the year ended 31 December 2022						
Depreciation charge	**276**	**11**	**201**	**2**	**32**	**522**
For the year ended 31 December 2021						
Depreciation charge	258	11	196	1	34	500

	2022 HK$'million	2021 HK$'million
Expenses relating to short-term leases	**62**	53
Total cash outflow for the leases	**176**	152
Additions to right-of-use assets	**515**	1,340

17. RIGHT-OF-USE ASSETS (CONTINUED)

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 with 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 2022, 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 2022, right-of-use assets with a net book value of HK$37 million (2021: HK$230 million) were pledged as security for the Group's bank borrowings (note 31(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.

	2022 **HK$'million**	2021 HK$'million
As at 1 January	9,034	8,918
Exchange adjustments	(776)	271
Increase in fair value (note 7)	7	21
Additions	—	2
Transfer from right-of-use assets	—	9
Transfer to property, plant and equipment	—	(281)
Transfer from property, plant and equipment	—	94
As at 31 December	8,265	9,034

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.

18. INVESTMENT PROPERTIES (CONTINUED)

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 2022: HK$3,185 million 2021: HK$3,484 million	Income approach	Monthly market rent, taking into account the growth rate and rent of comparables, at a weighted average of RMB80 (2021: RMB76) 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% (2021: 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 2022: HK$4,583 million 2021: HK$5,009 million	Market comparison approach	Market unit rate, taking into account the transaction dates, floor areas, locations and conditions of the property, which ranged from RMB71,560 to RMB75,229 (2021: RMB71,560 to RMB74,312) 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 2022 are set out in note 41.

(b) 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	
	2022	2021	**2022**	2021	**2022** HK$'million	2021 HK$'million
Shantou China Merchants Port Group Co., Ltd. ("SPG")	**40.00%**	40.00%	**40.00%**	40.00%	**4,284**	4,797
Gainpro Resources Limited ("Gainpro")	**35.00%**	35.00%	**35.00%**	35.00%	**4,806**	4,855
Individually immaterial subsidiaries with non-controlling interests					**10,271**	10,643
					19,361	20,295

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

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) 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:

	2022	
	SPG Group HK$'million	Gainpro Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	450	260
Other income and other gains	116	2
Expenses and taxation	(772)	(353)
Loss and other comprehensive expense for the year	(206)	(91)
Loss and other comprehensive expense for the year, attributable to:		
Equity holders of the Company	(124)	(43)
Non-controlling interests	(82)	(48)
	(206)	(91)
Dividends paid to non-controlling interests	—	—
Financial information of the consolidated statement of cash flows		
Net cash (outflow)/inflow from operating activities	(121)	123
Net cash outflow from investing activities	(22)	(28)
Net cash (outflow)/inflow	(143)	95

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

	2021	
	SPG Group HK$'million	Gainpro Group HK$'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 and other comprehensive expense for the year, attributable to:		
Equity holders of the Company	(12)	(44)
Non-controlling interests	(8)	(48)
	(20)	(92)
Dividends paid to non-controlling interests	—	—
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)

(b) 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:

	2022		2021	
	SPG Group HK$'million	Gainpro Group HK$'million	SPG Group HK$'million	Gainpro Group HK$'million
Non-current assets	**8,209**	**10,176**	9,040	10,358
Current assets	**4,062**	**193**	4,811	103
Current liabilities	**(673)**	**(103)**	(990)	(101)
Non-current liabilities	**(985)**	**(1)**	(1,019)	(1)
	10,613	**10,265**	11,842	10,359
Equity attributable to:				
Equity holders of the Company	**6,329**	**5,459**	7,045	5,504
Non-controlling interests	**4,284**	**4,806**	4,797	4,855
	10,613	**10,265**	11,842	10,359

(c) 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

	2022 HK$'million	2021 HK$'million
Share of net assets of associates, net of impairment:		
Listed associates	**40,701**	38,329
Unlisted associates	**29,696**	31,531
	70,397	69,860
Goodwill:		
Listed associates	**2,791**	2,611
Unlisted associates	**2,468**	2,738
	5,259	5,349
Total	**75,656**	75,209
Fair value of the listed associates owned by the Group (Note)	**40,889**	43,556

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$397 million. Accordingly, impairment loss of the same account was recognised in profit or loss in prior years.

The management of the Group carried out an assessment as at 31 December 2022 and 2021 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 2022 and 2021, no reversal of impairment loss has been recognised.

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 had been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The additional shares issued were 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.

During the year, 328,750,659 shares were purchased by the Group from the open market for aggregate considerations of HK$2,338 million. Consequentially, the Group's interest in SIPG has been increased from 26.64% to 28.05%.

The investment in SIPG continued to account for as an interest in an associate as there was no change in directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

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 ("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, had made capital contribution to CMIT by way of transfer 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 was accounted for as an interest in an associate as 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

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 12.00%, resulting in a gain on deemed disposal of HK$500 million. The investment in Liaoning Port continued to account for as an interest in an associate as there was no change in the directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

In November 2021, the additional shares issued ("Private Placement") had been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The additional shares issued were 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 12.00% to 11.32%, resulting in a gain on deemed disposal of HK$18 million. The investment in Liaoning Port continued to account for as an interest in an associate as there was no change in directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

Particulars of the Group's principal associates at 31 December 2022 are set out in note 42.

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.

20. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Material associate

	SIPG Group	
	2022	2021
	HK$'million	HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	**43,404**	41,312
Profit for the year, attributable to equity holders of the associate	**20,135**	18,531
Other comprehensive (expense)/income for the year, attributable to equity holders of the associate	**(537)**	1,804
Total comprehensive income for the year, attributable to equity holders of the associate	**19,598**	20,335
Dividends received from the associate by the Group	**1,457**	959
Financial information of consolidated statement of financial position		
Non-current assets	**155,219**	151,212
Current assets	**51,999**	61,820
Current liabilities	**(28,958)**	(35,868)
Non-current liabilities	**(39,298)**	(41,710)
Net assets of the associate	**138,962**	135,454
Reconciliation to the carrying amounts of interests in the associate:		
Net assets of the associate	**138,962**	135,454
Less: non-controlling interests	**(9,905)**	(9,827)
Net assets attributable to equity holders of the associate	**129,057**	125,627
Proportion of the Group's interests in the associate	**28.05%**	26.64%
Net assets attributable to the Group's interests in the associate	**36,200**	33,467
Goodwill	**2,789**	2,608
Carrying amount of the Group's interests in the associate	**38,989**	36,075
Market value of the listed associate, valued based on the quoted prices in active market for the identical asset directly, and categorised as level 1 of the fair value hierarchy of the Group's interests in the associate	**39,043**	41,629

20. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2022 HK$'million	2021 HK$'million
The Group's share of:		
Profit for the year	**2,231**	2,142
Other comprehensive (expense)/income	**(414)**	393
Total comprehensive income	**1,817**	2,535
Aggregate carrying amount of the Group's interests in these associates	**36,667**	39,134

21. INTERESTS IN JOINT VENTURES

	2022 HK$'million	2021 HK$'million
Share of net assets of joint ventures	**9,319**	8,874

Particulars of the Group's principal joint ventures at 31 December 2022 are set out in note 43.

As at 31 December 2022 and 2021, 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:

	2022 HK$'million	2021 HK$'million
The Group's share of:		
Profit for the year	**317**	151
Other comprehensive income/(expense)	**204**	(12)
Total comprehensive income	**521**	139

22. OTHER FINANCIAL ASSETS

	2022 HK$'million	2021 HK$'million
Financial assets at FVTPL (Note (a))	**3,957**	5,835
Equity instruments at FVTOCI (Note (b))	**30**	32
Advances to associates (Note (c))	**3,372**	3,376
Advance to a joint venture (Note (d))	**955**	992
Compensation receivable from SLRC (Note (e))	**3,014**	3,297
	11,328	13,532
Analysed as:		
Non-current	**8,860**	10,516
Current	**2,468**	3,016
	11,328	13,532

Notes:

(a) Financial assets at FVTPL

	2022 HK$'million	2021 HK$'million
Listed equity investment in Hong Kong	**156**	178
Listed equity investments in Mainland China	**2,337**	2,763
Structured deposits	**1,461**	2,891
Other unlisted equity investments	**3**	3
	3,957	5,835

(b) Equity instruments at FVTOCI

	2022 HK$'million	2021 HK$'million
Unlisted equity investments in Mainland China	**30**	32

(c) Included in the amount of an advance to an associate of US$428 million (equivalent to approximately HK$3,333 million) for the year ended 31 December 2022 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$39 million) for the year ended 31 December 2022 is interest-bearing at a rate of 4.75% per annum and repayable in 2026.

(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.

(e) 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 and it was not expected to be settled within 12 months from 31 December 2022. As such, the amount was classified as non-current asset.

23. OTHER NON-CURRENT ASSETS

	2022 HK$'million	2021 HK$'million
Prepayments and deposits for purchase of other non-current assets	**216**	122
Others	**42**	81
	258	203

24. INVENTORIES

	2022 HK$'million	2021 HK$'million
Raw materials	**162**	149
Spare parts and consumables	**13**	17
	175	166

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2022 HK$'million	2021 HK$'million
Trade debtors from contracts with customers	**1,005**	1,082
Less: allowance for credit losses (Note (a))	**(77)**	(59)
Trade debtors, net (Notes (b), (c) and (d))	**928**	1,023
Amounts due from fellow subsidiaries (Notes (c) and (e))	**33**	31
Amount due from immediate holding company (Notes (c) and (e))	**148**	2
Amounts due from associates (Notes (c) and (e))	**72**	83
Amounts due from joint ventures (Notes (c) and (e))	**—**	1
Dividend receivables (Note (c))	**398**	250
	1,579	1,390
Other debtors, deposits and prepayments	**678**	744
	2,257	2,134

25. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

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

	2022 HK$'million	2021 HK$'million
As at 1 January	59	58
Allowance for credit losses	24	4
Reversal of allowance	(2)	(1)
Written-off	—	(2)
Exchange adjustments	(4)	—
As at 31 December	77	59

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

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

(c) As at 31 December 2022, trade debtors of HK$743 million (2021: HK$683 million) and other financial assets of HK$651 million (2021: HK$367 million) are neither past due nor impaired and are fully performing.

(d) As at 31 December 2022, included in the Group's trade debtors balance are debtors with aggregate carrying amount (before any allowance for credit losses) of HK$262 million (2021: HK$399 million) which are past due as at the reporting date. Out of the past due balances, HK$48 million (2021: HK$92 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.

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

26. CASH AND BANK BALANCES

	2022 HK$'million	2021 HK$'million
Cash at bank and in hand	6,794	7,314
Short-term time and other deposits (Note (a))	2,831	2,660
Cash and cash equivalents	9,625	9,974
Other deposits (Note (b))	4	6
	9,629	9,980

Notes:

(a) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 2.62% (2021: 0.93%) 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 2022 was approximately 3.83% 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. Since the municipal PRC government had not yet approved and announced the final land resumption plan by 31 December 2022, it is unclear the land piece will be handed over within one year from the end of the reporting period. The carrying amount of the land was transferred back to right-of-use assets, with the amortisation previously not yet recognised was charged in profit or loss during the year. The investment properties and property, plant and equipment included in the non-current assets held for sale were demolished, and the losses have been recognised in profit or loss during the year.

As at 31 December 2021, the compensation for resumption are expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised.

28. SHARE CAPITAL

	The Company			
	Number of shares		Share capital	
	2022	2021	**2022 HK$'million**	2021 HK$'million
Issued and fully paid:				
As at 1 January	**3,785,619,729**	3,661,088,416	**44,017**	42,521
Issue of scrip dividend shares (Note)	**217,763,317**	124,531,313	**2,651**	1,496
As at 31 December	**4,003,383,046**	3,785,619,729	**46,668**	44,017

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
2021 final dividend	22 July 2022	**152,649,783**
2022 interim dividend	21 November 2022	**65,113,534**
2022 Total		**217,763,317**
2021 Total		124,531,313

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$224 million, representing 3.6% of the perpetual capital securities issued, was paid to the holders of the perpetual capital securities.

30. 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 2022	898	709	3,507	3,318	8,432
OTHER COMPREHENSIVE EXPENSE					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(8,151)	—	(8,151)
Release of reserves upon disposal of a subsidiary	(28)	—	24	—	(4)
Share of reserves of associates	—	(67)	—	—	(67)
Other comprehensive expense for the year,net of tax	(28)	(67)	(8,127)	—	(8,222)
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	—	—	—	163	163
Contribution from immediate holding company	8	—	—	—	8
Reversal of contribution from immediate holding company	(15)	—	—	—	(15)
Share of other changes in equity attributable to equity holders of associates and joint ventures	108	—	—	—	108
Total transactions with owners for the year	101	—	—	163	264
As at 31 December 2022	971	642	(4,620)	3,481	474

30. 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 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

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.

31. BANK AND OTHER BORROWINGS

	2022 HK$'million	2021 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	6,020	4,629
– fixed rate	224	61
Unsecured long-term fixed rate bank loans	28	851
Long-term variable rate bank loans		
– unsecured	5,868	3,767
– secured (Note (a))	1,241	2,307
	13,381	11,615
Loan from a non-controlling equity holder of a subsidiary (Note (b))	—	504
Loans from a fellow subsidiary (Note (c))	269	461
Loan from immediate holding company (Note (d))	1,458	1,314
Notes payable (Note (e))		
– US$500 million, 5% guaranteed listed notes maturing in 2022	—	3,896
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	7,008	6,998
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	3,890	3,888
– US$500 million, 4% guaranteed listed notes maturing in 2027	3,885	—
– US$600 million, 5% guaranteed listed notes maturing in 2028	4,638	4,633
– Brazilian Real 300 million, Brazil's Extended National Consumer Price Index ("IPCA") +7.82% listed notes maturing in 2022	—	411
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	—	3,062
	19,421	22,888
Total	34,529	36,782
Less: amounts due within one year included under current liabilities	(16,561)	(14,551)
Non-current portion	17,968	22,231

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 31 December 2022 and 2021, the following assets are pledged against the Group's secured bank loans:

	2022 HK$'million	2021 HK$'million
Property, plant and equipment (note 16)	—	356
Right-of-use assets (note 17)	37	230
	37	586

In addition to the above, the entire shareholdings in two subsidiaries, owned by the Group as at 31 December 2022 and 2021, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) The amount was unsecured, interest-bearing at 4.65% per annum and fully repaid during the year.

(c) The amount as at 31 December 2022 and 2021 are 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 4.06% (2021: 1.20% to 4.41%) per annum.

(d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum and repayable in 2023.

(e) Listed notes issued by subsidiaries of the Company amounting to HK$19,421 million (2021: HK$19,415 million) are secured by corporate guarantees provided by the Company.

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

	2022	2021
US$500 million, 5% guaranteed listed notes maturing in 2022	N/A	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$500 million, 4% guaranteed listed notes maturing in 2027	4.09%	N/A
US$600 million, 5% guaranteed listed notes maturing in 2028	5.18%	5.18%
Brazilian Real 300 million, IPCA +7.82% listed notes maturing in 2022	N/A	14.66%
RMB2,500 million, 4.89% unlisted notes maturing in 2022	N/A	4.94%

The fair value of the listed notes payable as at 31 December 2022 was HK$19,207 million (2021: HK$21,259 million). The fair value of the unlisted notes payable as at 31 December 2021 was HK$3,017 million. The fair value of unlisted notes payable was 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 2022 and 2021.

(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.

(g) As at 31 December 2022, the Group has undrawn facilities of bank loan and other debt financing instruments amounting to HK$26,198 million (2021: HK$17,215 million), of which HK$12,204 million (2021: HK$10,663 million) and HK$13,994 million (2021: HK$6,552 million) are committed and uncommitted credit facilities respectively.

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(h) The bank and other borrowings as at 31 December 2022 and 2021 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	
	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million
Within 1 year	8,091	5,791	–	–	4	77	1,458	1,314	7,008	7,369	16,561	14,551
Between 1 and 2 years	592	1,989	–	–	217	–	–	–	–	6,998	809	8,987
Between 2 and 5 years	4,071	2,897	–	–	–	239	–	–	7,775	3,888	11,846	7,024
Within 5 years	12,754	10,677	–	–	221	316	1,458	1,314	14,783	18,255	29,216	30,562
More than 5 years	627	938	–	504	48	145	–	–	4,638	4,633	5,313	6,220
Total	13,381	11,615	–	504	269	461	1,458	1,314	19,421	22,888	34,529	36,782

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

	2022	2021
Hong Kong dollar	4.87% to 5.20%	0.66% to 0.81%
Renminbi	1.20% to 4.06%	1.20% to 4.66%
Euro	3.72% to 4.25%	3.72% to 5.78%
United States dollar	5.17% to 7.08%	0.65% to 2.51%
Brazilian Real	13.58%	5.67%

32. LEASE LIABILITIES

	2022 HK$'million	2021 HK$'million
Lease liabilities payable:		
Within 1 year	65	40
Between 1 and 2 years	13	7
Between 2 and 5 years	30	25
More than 5 years	842	854
Total	950	926
Less: Amount due for settlement within one year included under current liabilities	(65)	(40)
Non-current portion	885	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 2022 is 5.24% (2021: 5.30%).

Lease liabilities of HK$950 million (2021: HK$926 million) are recognised with related right-of-use assets of HK$751 million (2021: HK$673 million) as at 31 December 2022. 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 36.1 (iii).

33. OTHER NON-CURRENT LIABILITIES

	2022 HK$'million	2021 HK$'million
Concession liabilities (Note (a))	**3,033**	2,772
Royalty provision (Note (b))	**887**	887
Net deferred benefit obligations (Note (c))	**605**	599
Deferred income	**384**	437
Others	**49**	40
	4,958	4,735

Notes:

(a) Amount represents the liabilities arising from the concession arrangements for a port located in Brazil with the local port authority due by TCP and its subsidiaries (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.

In September 2021, TCP had entered into a supplemental agreement to the concession agreement by changing the inflation index from Brazil's General Market Price Index 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 had been included in other income and other (losses)/gains, net for the year ended 31 December 2021.

The current portion of the TCP Concession Liabilities amounting to HK$90 million (2021: HK$82 million) is included in creditors and accruals under current liabilities.

(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$84 million (2021: HK$87 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 2022 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$24 million (2021: HK$27 million) has been included in administrative expenses.

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

34. DEFERRED TAXATION

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

	2022 HK$'million	2021 HK$'million
As at 1 January	**4,457**	4,062
Exchange adjustments	**(282)**	65
Disposal of a subsidiary (note 38)	**12**	—
Charged to consolidated statement of profit or loss (note 12)	**256**	310
Charged to other comprehensive income	**—**	20
As at 31 December	**4,443**	4,457

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$1,570 million (2021: HK$2,286 million) to be carried forward against future taxable income. These amount expire in the following years:

	2022 HK$'million	2021 HK$'million
2022	**—**	471
2023	**541**	646
2024	**419**	474
2025	**317**	359
2026	**93**	336
2027	**200**	—
	1,570	2,286

34. 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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
As at 1 January	**(2,170)**	(1,836)	**(1,863)**	(1,909)	**(818)**	(737)	**(4,851)**	(4,482)
Exchange adjustments	**181**	(56)	**75**	9	**45**	(19)	**301**	(66)
(Charged)/credited to profit or loss	**(288)**	(278)	**31**	37	**41**	(42)	**(216)**	(283)
Charged to other comprehensive income	**—**	—	**—**	—	**—**	(20)	**—**	(20)
As at 31 December	**(2,277)**	(2,170)	**(1,757)**	(1,863)	**(732)**	(818)	**(4,766)**	(4,851)

Deferred tax assets

	Provision		Others		Total	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
As at 1 January	**26**	12	**368**	408	**394**	420
Exchange adjustments	**(2)**	—	**(17)**	1	**(19)**	1
Disposal of a subsidiary (note 38)	**—**	—	**(12)**	—	**(12)**	—
Credited/(charged) to profit or loss	**6**	14	**(46)**	(41)	**(40)**	(27)
As at 31 December	**30**	26	**293**	368	**323**	394

As at 31 December 2022, the Group has deductible temporary difference of HK$620 million (2021: HK$766 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.

35. CREDITORS AND ACCRUALS

	2022 HK$'million	2021 HK$'million
Trade creditors (Note (a))	**475**	546
Contract liabilities	**91**	122
Amounts due to fellow subsidiaries (Note (b))	**50**	42
Amounts due to associates (Note (b))	**280**	501
Amounts due to joint ventures (Note (b))	**2**	—
Other payables and accruals	**2,616**	3,093
	3,514	4,304

Notes:

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

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

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

36. FINANCIAL RISK MANAGEMENT

36.1 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 2022, 58% (2021: 61%) of the Group's borrowings are denominated in United States dollar, 37% (2021: 23%) are denominated in Renminbi, 1% (2021: 3%) are denominated in Euro, 1% (2021: 2%) are denominated in Brazilian Real and 3% (2021: 11%) 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 denominated notes payable to finance its capital investments and working capital.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

At 31 December 2022, if Renminbi had strengthened/weakened against the other currencies by 3% (2021: 3%) with all other variables held constant, profit before taxation would have been approximately HK$215 million lower/higher (2021: HK$101 million lower/higher) mainly as a result of decrease/increase (2021: 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 2022, if United States dollar had strengthened/weakened against the other currencies by 0.5% (2021: 0.5%) with all other variables held constant, profit before taxation would have been approximately HK$96 million lower/higher (2021: HK$99 million lower/higher) mainly as a result of decrease/increase (2021: 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 2022, if there had been a 10% (2021: 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$249 million (2021: HK$294 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 2022 would increase/decrease by HK$3 million (2021: 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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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 2022, 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 2022, if interest rates on borrowings had been 100 basis points (2021: 100 basis points) higher/lower with all other variables held constant, profit before taxation would have been HK$146 million (2021: HK$124 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk and impairment assessment

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. As at 31 December 2022, 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 39(d).

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

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 amounts due from fellow subsidiaries and immediate holding company, and amounts 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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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	2022 Gross carrying amount		2021 Gross carrying amount	
					HK$'million	HK$'million	HK$'million	HK$'million
Financial assets at amortised cost								
Trade debtors (Note (a))	25	N/A	A	Lifetime ECL (not credit-impaired)	609		668	
			B	Lifetime ECL (not credit-impaired)	265		302	
			C	Lifetime ECL (not credit-impaired)	54		53	
			D	Lifetime ECL (credit-impaired)	77	1,005	59	1,082
Amounts due from fellow subsidiaries (Note (b))	25	N/A	B	12m ECL	33	33	31	31
Amount due from immediate holding company (Note (b))	25	N/A	B	12m ECL	148	148	2	2
Amounts due from associates (Note (b))	25	N/A	B	12m ECL	72	72	83	83
Advances to associates (Note (b))	22	N/A	B	12m ECL	3,372	3,372*	3,376	3,376*
Amounts due from joint ventures (Note (b))	25	N/A	B	12m ECL	—	—	1	1

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount		2021 Gross carrying amount	
					HK$'million	HK$'million	HK$'million	HK$'million
Advance to a joint venture (Note (b))	22	N/A	B	12m ECL	**955**	**955***	992	992*
Dividend receivables (Note (b))	25	N/A	A	12m ECL	**398**	**398**	250	250
Compensation receivable from SLRC (Note (b))	22	N/A	B	12m ECL	**3,014**	**3,014**	3,297	3,297
Other debtors (Note (b))	25	N/A	B	12m ECL	**458**		519	
			D	Lifetime ECL (credit-impaired)	**1,122**	**1,580**	926	1,445
Cash and bank balances (Note (b))	26	Aa3 to Ba2	N/A	12m ECL	**9,629**	**9,629**	9,980	9,980
Other item								
Financial guarantee contracts (Note (c))	39(d)	N/A	A	12m ECL	**299**	**299**	305	305

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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
2022			
Amounts due from fellow subsidiaries	—	**33**	**33**
Amounts due from immediate holding company	—	**148**	**148**
Amounts due from associates	—	**72**	**72**
Advances to associates	—	**3,372**	**3,372**
Advance to a joint venture	—	**955**	**955**
Dividend receivables	—	**398**	**398**
Compensation receivable from SLRC	—	**3,014**	**3,014**
Other debtors	**1,122**	**458**	**1,580**
Cash and bank balances	—	**9,629**	**9,629**
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
Compensation receivable from SLRC	—	3,297	3,297
Other debtors	926	519	1,445
Cash and bank balances	—	9,980	9,980

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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 2022	Average loss rate 2021
A	**0.04%**	0.01%
B	**0.22%**	0.26%
C	**3.00%**	4.72%
D	**96.89%**	94.79%

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 2021	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
Impairment losses recognised	**—**	**24**	**24**
Impairment losses reversed	**(1)**	**(1)**	**(2)**
Exchange adjustments	**1**	**(5)**	**(4)**
As at 31 December 2022	**3**	**74**	**77**

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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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 2021	618
Impairment loss recognised	288
Exchange adjustments	20
As at 31 December 2021	926
Impairment losses recognised	**255**
Impairment loss reversed	**(1)**
Exchange adjustments	**(58)**
As at 31 December 2022	**1,122**

The Group makes full provision for other debtors when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or in dispute whichever occurs earlier.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$299 million as at 31 December 2022 (2021: HK$305 million). As at 31 December 2022 and 2021, 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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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 31(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$6,473 million as at 31 December 2022. 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	
	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million	2022 HK$'million	2021 HK$'million
Interest-bearing debts	17,690	15,875	1,558	9,898	13,203	8,246	5,582	6,752	38,033	40,771
Other financial liabilities	3,423	3,626	178	167	569	530	5,598	5,472	9,768	9,795
Lease liabilities	113	88	60	54	167	163	1,381	1,438	1,721	1,743
Financial guarantee contracts	—	—	—	—	—	—	299	305	299	305

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 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.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for United States dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.2 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 2022 and 2021 were as follows:

	2022 HK$'million	2021 HK$'million
Total interest-bearing debts and lease liabilities (notes 31 and 32)	**35,479**	37,708
Less: cash and bank balances (note 26)	**(9,629)**	(9,980)
Net interest-bearing debts and lease liabilities	**25,850**	27,728
Net gearing ratio:		
Net interest-bearing debts and lease liabilities divided by total equity	**21.1%**	22.2%

36.3 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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 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 2022 and 2021:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
At 31 December 2022				
Financial assets at FVTPL	2,493	1,461	3	3,957
Equity instruments at FVTOCI	—	—	30	30
	2,493	1,461	33	3,987
At 31 December 2021				
Financial assets at FVTPL	2,941	2,891	3	5,835
Equity instruments at FVTOCI	—	—	32	32
	2,941	2,891	35	5,867

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 2022, if the foreign exchange rate was 5% (2021: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (2021: insignificant). As at 31 December 2022, if the gold price was 5% (2021: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (2021: insignificant).

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 2022, if any of the significant unobservable inputs above was 5% (2021: 5%) higher/lower while all the other variables were held constant, the changes in fair value of these unlisted equity instruments would be insignificant (2021: insignificant).

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the year.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Fair value estimation (continued)

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

The following table presents the changes in level 3 instruments for the years ended 31 December 2022 and 2021:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million
Year ended 31 December 2022		
As at 1 January 2022	**3**	**32**
Exchange adjustments	**—**	**(2)**
As at 31 December 2022	**3**	**30**

	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 33(a))	—	—	(3,812)
As at 31 December 2021	3	32	—

(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 31, 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.

37. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2022 HK$'million	2021 HK$'million
Earnings before finance costs, net, taxation and share of profits less losses of associates and joint ventures	**3,417**	4,787
Adjustments for:		
Depreciation and amortisation	**2,373**	2,286
Net change in fair value of investment properties	**(7)**	(21)
Net change in fair value of financial assets at FVTPL	**358**	30
Net change in fair value of financial liabilities at FVTPL	**—**	575
Net allowance for credit losses of trade debtors and other debtors	**276**	291
Net exchange losses/(gains)	**481**	(8)
Net loss/(gain) on disposal of property, plant and equipment and right-of-use assets	**86**	(10)
Operating indemnification	**(249)**	—
Gain on deemed disposal of a subsidiary	**—**	(17)
Net loss/(gain) on deemed disposal of partial interest in associates	**3**	(454)
Gain on modification of contract terms for a concession arrangement	**—**	(944)
Operating profit before working capital changes	**6,738**	6,515
Increase in inventories	**(21)**	(18)
Decrease/(increase) in debtors, deposits and prepayments	**105**	(239)
Increase in creditors and accruals	**317**	293
Net cash inflow from operations	**7,139**	6,551

37. 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						Creditors and accruals					
	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 HK$'million	Amount due to an associate HK$'million	Dividend payable to non-controlling equity holders of subsidiaries 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 2022	11,615	504	461	1,314	22,888	926	576	172	46	–	–	38,502
Financing cash flows	1,935	(549)	(59)	217	(2,944)	(131)	(1,634)	113	(687)	(941)	(224)	(4,904)
Non-cash changes												
Exchange adjustments	67	31	(48)	(128)	(523)	33	(320)	(5)	10	–	–	(883)
Disposal of a subsidiary	(236)	–	(96)	–	–	–	–	–	–	–	–	(332)
Issue of shares in lieu of dividends	–	–	–	–	–	–	–	–	–	(2,651)	–	(2,651)
Interest expense	–	14	11	55	–	52	1,729	–	–	–	–	1,861
New leases entered/lease modified	–	–	–	–	–	70	–	–	–	–	–	70
Declaration of distribution	–	–	–	–	–	–	–	–	–	–	224	224
Declaration of dividend	–	–	–	–	–	–	–	–	665	3,592	–	4,257
At 31 December 2022	13,381	–	269	1,458	19,421	950	351	280	34	–	–	36,144

37. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings						Creditors and accruals					
	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 HK$'million	Amount due to an associate HK$'million	Dividend payable to non-controlling equity holders of subsidiaries 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

38. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2022

In December 2022, the Group completed the disposal of its entire 51% equity interest in Guangdong Yide Port Co., Ltd. ("Yide Port"), a non-wholly-owned subsidiary of the Company, to CMPG for a total cash consideration of approximately RMB132 million (equivalent to approximately HK$148 million) (the "Disposal"). Upon completion of the Disposal, Yide Port ceased to be a subsidiary of the Company. The net assets of Yide Port at the date of disposal were as follows:

	HK$'million
Analysis of assets and liabilities of Yide Port over which control was lost:	
Property, plant and equipment (note 16)	419
Right-of-use assets	164
Other non-current assets	17
Deferred tax assets (note 34)	12
Debtors, deposits and prepayments	16
Cash and bank balances	22
Bank and other borrowings	(332)
Other non-current liabilities	(2)
Creditors and accruals	(72)
Taxation payable	(1)
Net assets disposed of	243
Gain on disposal:	
Consideration receivable	148
Net assets disposed of	(243)
Non-controlling interests	120
Goodwill (note 15)	(1)
Cumulative reserves reclassified from equity to profit or loss upon disposal	(24)
Gain on disposal	—
Net cash outflow arising on disposal:	
Cash consideration received during the year	—
Less: Cash and bank balances disposed of	(22)
	(22)

38. DISPOSAL OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2022 (continued)

The cash flows arose from Yide Port prior to the Disposal is set out below:

	2022 HK$'million	2021 HK$'million
Net cash inflow from operating activities	**84**	66
Net cash outflow from investing activities	**(25)**	(37)
Net cash outflow from financing activities	**(59)**	(38)
Net cash outflow	—	(9)

39. COMMITMENTS AND CONTINGENT LIABILITIES

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

	2022 HK$'million	2021 HK$'million
Group		
Property, plant and equipment and intangible assets	**1,375**	1,482
Joint ventures		
Property, plant and equipment	**32**	56
	1,407	1,538

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

	2022 HK$'million	2021 HK$'million
Group		
Ports projects	**6**	6
Joint Ventures		
Land development project	**13**	220
	19	226

39. 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:

	2022 HK$'million	2021 HK$'million
Within one year	**360**	278
In the second year	**152**	129
In the third year	**130**	91
In the fourth year	**116**	70
In the fifth year	**87**	68
After the fifth year	**95**	114
	940	750

(d) Contingent liabilities

(i) As at 31 December 2022, 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$313 million (2021: HK$255 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 sellers 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 2022 and 2021, 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$74 million (2021: HK$80 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 (2021: HK$225 million) and the aggregate amount utilised by the relevant related party amounted to HK$135 million (2021: HK$135 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 2022 and 2021, 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.

40. 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 2022 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	**2022 HK$'million**	2021 HK$'million
Rental income from	(i)		
– fellow subsidiaries		**71**	51
– joint ventures		**18**	16
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		**4**	2
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		**16**	4
Service income from	(ii)		
– fellow subsidiaries		**128**	261
– associates		**31**	43
– joint ventures		**81**	77
– related parties		**—**	1
Service fees paid to	(iii)		
– fellow subsidiaries		**76**	91
– associates		**144**	216
– joint ventures		**22**	23
– related parties		**42**	58
Interest income from			
– a fellow subsidiary	(iv)	**14**	19
– associates	(v)	**200**	200
– a joint venture	(v)	**21**	77
– a related party	(vi)	**21**	18
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		**55**	47
– a fellow subsidiary		**11**	16

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances and transactions with associates and joint ventures of the Group and with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (continued)

Notes:

(i) The Group rented certain vessels and properties from and leased office premises and residential units to fellow subsidiaries, 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 2022, the Group has recognised an addition of right-of-use-assets of HK$109 million (2021: HK$25 million) and lease liabilities of HK$109 million (2021: HK$25 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 2022, the Group placed deposits of HK$1,681 million (2021: HK$595 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% (2021: 1.61% to 2.10%) 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 2022, the Group placed deposits of HK$2,334 million (2021: HK$1,306 million) with China Merchants Bank Co., Ltd., an associate of CMG.

(vii) Interest expenses were charged at interest rates as specified in note 31 on the outstanding loans from immediate holding company and a fellow subsidiary.

(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 2022, the corresponding carrying amount of the right-of-use asset was HK$208 million (2021: HK$210 million).

(ix) During the year ended 31 December 2022, the Group acquired property, plant and equipment of HK$4 million (2021: HK$2 million) from an associate (2021: fellow subsidiaries).

(x) During the year ended 31 December 2022, the Group disposed of its entire interest in Yide Port to CMPG for a cash consideration of approximately RMB132 million (equivalent to approximately HK$148 million). Further details are set in note 38.

The balances with entities within CMG Group as at 31 December 2022 and 31 December 2021 are disclosed in notes 22, 25, 31 and 35.

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 40(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.

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	2022 HK$'million	2021 HK$'million
Salaries and other short-term employee benefits	26	19

41. 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		
			2022 %	2021 %	2022 %	2021 %	
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 (f))	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 Ports (Ningbo) Limited	Hong Kong	HK$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	Provision of container related logistics services
China Merchants Port Services (Shenzhen) Company Limited (Note (a))	PRC	RMB550,000,000	—	—	100.00	100.00	Provision of terminal services and ports transportation

41. 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 2022 %	Directly 2021 %	Indirectly 2022 %	Indirectly 2021 %	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 (g))	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 in Colombo, Sri Lanka
Yide Port (Notes (b) and (e))	PRC	RMB216,000,000	N/A	—	N/A	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 in Lomé, Togo
Mega Shekou Container Terminals Limited	British Virgin Islands	US$120	—	—	80.00	80.00	Investment holding
Ningbo Daxie China Merchants International Terminals Co., Ltd. (Notes (b) and (d))	PRC	RMB1,209,090,000	—	—	45.00	45.00	Provision of port and container terminal services in Daxie Port Zone of Ningbo, China
Shantou China Merchants Port Group Co., Ltd.	PRC	RMB125,000,000	—	—	60.00	60.00	Provision of terminal services in Shantou, Guangdong Province, China
Shekou Container Terminals Ltd. (Note (a))	PRC	HK$618,201,150	—	—	80.00	80.00	Operation of berths No. 1 & 2 in Shekou, China
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, China
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, China
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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2022 %	2021 %	2022 %	2021 %	
Shenzhen Haixing Harbour Development Company Ltd. (Note (b))	PRC	RMB530,729,167	–	–	**67.00**	67.00	Provision of container terminal services in Mawan Port Zone, Shenzhen, China
Shenzhen Jinyu Rongtai Investment Development Company Limited	PRC	RMB800,000,000	–	–	**100.00**	100.00	Property holding
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	–	–	**70.00**	70.00	Operation of berths No. 5 to 7 in Mawan Port Zone, Shenzhen, China
Shenzhen Mawan Wharf Co., Ltd. (Note (b))	PRC	RMB200,000,000	–	–	**70.00**	70.00	Operation of berth No. 0 in Mawan Port Zone, Shenzhen, China
TCP Participações S.A. (Note (h))	Federative Republic of Brazil	Brazilian Real 68,851,561	–	–	**77.45**	77.45	Provision for container terminal services in Paranaguá, Brazil
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	RMB 1,167,000,000	–	–	**60.00**	60.00	Operation of berths No. 3 to 6 in the Zhangzhou Economic Development Zone, Fujian Province, China
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, China
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, China

41. 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 38.

(f) This entity has issued HK$3,890 million (2021: HK$7,784 million) of listed notes at the end of the year.

(g) This entity has issued HK$15,531 million (2021: HK$11,631 million) of listed notes and HK$6,246 million (2021: HK$6,241 million) of listed perpetual capital securities at the end of the year.

(h) This entity has issued HK$411 million of listed notes as at 31 December 2021.

42. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest held by the Company		Principal activities
		2022 %	2021 %	
Asia Airfreight Terminal Company Limited (Note (c))	Hong Kong	**N/A**	20.00	Airfreight services
China Merchants International Technology Company Limited	PRC	**43.74**	43.74	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) and (b))	PRC	**11.32**	11.32	Provision of terminal and logistics services
Modern Terminals Limited	Hong Kong	**27.01**	27.01	Provision of container terminal services and warehouse services
Port de Djibouti S.A.	Republic of Djibouti	**23.50**	23.50	Operations of seaports and terminals and port related business in Djibouti

42. 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
		2022 **%**	2021 %	
Shanghai International Port (Group) Co., Ltd. (A shares listed on the Shanghai Stock Exchange) (Note (a))	PRC	**28.05**	26.64	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) During the year ended 31 December 2022, 52,560,000 shares were purchased by the Group for aggregate considerations of HK$302 million. Following the acquisition of additional shares by the Group, the Group's interest in Asia Airfreight Terminal Company Limited ("AAT") has been increased from 20.00% to 34.60%. Under the joint venture agreement, decisions of relevant activities of AAT require unanimous consent from all of its shareholders, including the Group. Upon completion of the transaction, this entity previously accounted for as an associate of the Group has been classified as interest in a joint venture as the directors considered the Group had joint control over the investee.

43. 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
		2022 %	2021 %	
Asia Airfreight Terminal Company Limited (Note 42(c))	Hong Kong	**34.60**	N/A	Airfreight services
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
Red Sea World S.A. (Note (b))	Republic of Djibouti	**23.50**	23.50	Land development

Notes:

(a) Sino-foreign joint ventures.

(b) In December 2020, the Group entered into an investment agreement (the "Investment Agreement") with certain related parties and a government authority in relation to the formation of Red Sea World S.A., a company incorporated in Djibouti (the "Red Sea World") in connection with the redevelopment of a land in Djibouti.

Pursuant to the Investment Agreement, the amount of capital contribution of US$28.2 million shall be paid by the Group. During the year ended 31 December 2022, the Group injected the capital of US$28.2 million to the Red Sea World and holds 23.5% interest in the Red Sea World. The Red Sea World is accounted for as using equity method as the directors of the Company consider the Group has joint control with the relevant joint venture partner over the Red Sea World.

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 partner(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).

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK$'million	2021 HK$'million
ASSETS		
Non-current assets		
Property, plant and equipment	373	388
Interests in subsidiaries	82,561	79,266
Interests in associates	632	632
Prepayment	6	6
	83,572	80,292
Current assets		
Debtors, deposits and prepayments	16	12
Advances to subsidiaries	783	1,239
Advances to associates	42	52
Cash and bank balances	1,696	2,376
	2,537	3,679
Total assets	86,109	83,971
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	46,668	44,017
Reserves (Note)	3,425	3,017
Proposed dividend (Note)	2,402	2,726
Total equity	52,495	49,760
LIABILITIES		
Non-current liability		
Bank and other borrowings	3,362	2,505
Current liabilities		
Advances from subsidiaries	23,462	23,855
Creditors and accruals	291	405
Bank and other borrowings	6,499	7,446
	30,252	31,706
Total liabilities	33,614	34,211
Total equity and liabilities	86,109	83,971
Net current liabilities	(27,715)	(28,027)
Total assets less current liabilities	55,857	52,265

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Wang Xiufeng
DIRECTOR

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

Note: The reserves of the Company at 31 December 2022 and 2021 are as follows:

	Capital reserve HK$'million (Note)	Retained earnings HK$'million	Total HK$'million
As at 1 January 2022	**2,352**	**3,391**	**5,743**
Profit and total comprehensive income for the year	—	**3,681**	**3,681**
Contribution from immediate holding company	**6**	—	**6**
Reversal of contribution from immediate holding company	**(11)**	—	**(11)**
Dividends	—	**(3,592)**	**(3,592)**
As at 31 December 2022	**2,347**	**3,480**	**5,827**
Retained earnings as at 31 December 2022 representing:			
Reserves		**1,078**	
Proposed dividend		**2,402**	
		3,480	
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	

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[2] *(Chairman)*

Mr. Wang Xiufeng[1] *(Vice Chairman and Chief Executive Officer)*

Mr. Yim Kong[2] *(Vice Chairman)*

Mr. Xu Song[1] (Managing Director)

Mr. Tu Xiaoping[1] *(Chief Financial Officer)*

Mr. Lu Yongxin[1]

Mr. Yang Guolin[2]

Mr. Bong Shu Ying Francis[3]

Mr. Chan Hiu Fung Nicholas[3]

Ms. Chan Yuen Sau Kelly[3]

Mr. Li Ka Fai David[3]

Ms. Wong Pui Wah[3]

1. Executive Director
2. Non-executive Director
3. Independent Non-executive Director

AUDIT COMMITTEE

Mr. Li Ka Fai David *(Chairman)*

Mr. Bong Shu Ying Francis

Mr. Chan Hiu Fung Nicholas

Ms. Chan Yuen Sau Kelly

Ms. Wong Pui Wah

NOMINATION COMMITTEE

Ms. Chan Yuen Sau Kelly *(Chairman)*

Mr. Wong Xiufeng

Mr. Bong Shu Ying Francis

Mr. Chan Hiu Fung Nicholas

Ms. Wong Pui Wah

REMUNERATION COMMITTEE

Mr. Chan Hiu Fung Nicholas *(Chairman)*

Mr. Xu Song

Mr. Bong Shu Ying Francis

Ms. Chan Yuen Sau Kelly

Mr. Li Ka Fai David

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Deng Renjie *(Chairman)*

Mr. Wang Xiufeng

Mr. Yim Kong

Mr. Xu Song

Ms. Wong Pui Wah

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
Industrial and Commercial Bank of China
China Construction Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
China Merchants Bank

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 Friday, 2 June 2023 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 2022 together with the Report of the Directors and the Independent Auditor's Report.

2 To declare a final dividend of 60 HK cents per share for the year ended 31 December 2022 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. Wang Xiufeng as a Director;

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

(c) To re-elect Mr. Bong Shu Ying Francis as a Director;

(d) To re-elect Mr. Li Ka Fai David as a Director;

(e) To re-elect Mr. Xu Song as a Director;

(f) To re-elect Mr. Tu Xiaoping as a Director;

(g) To re-elect Mr. Lu Yongxin as a Director;

(h) To re-elect Mr. Yang Guolin as a Director;

(i) To re-elect Mr. Chan Hiu Fung Nicholas as a Director;

(j) To re-elect Ms. Chan Yuen Sau Kelly as a Director; and

(k) To re-elect Ms. Wong Pui Wah 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 2023

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 29 May 2023 to 2 June 2023, 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, 25 May 2023.

   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, 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 Registrars, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Monday, 12 June 2023.

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. If a Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions after super typhoons" announced by the HKSAR Government is/are in force on the date of the AGM, the AGM will be considered to be postponed or adjourned. The Company will post an announcement on the Company's website (www.cmport.com.hk) and the HKSE's website (www.hkexnews.hk) to notify the shareholders if there are any changes on the date, time and place of the AGM. The AGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the AGM under bad weather conditions bearing in mind their own situations.

8. As at the date of this notice, 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.

CHINA MERCHANTS PORT
HOLDINGS COMPANY LIMITED

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