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

Stock Code : 00144

2023 ANNUAL REPORT

WE CONNECT THE WORLD

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	2023 HK$'million	2022 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**11,482**	12,545	(8.5%)
Profit attributable to equity holders of the Company	**6,233**	7,781	(19.9%)
Non-recurrent (gains)/losses, net of tax[1]	**(74)**	340	121.8%
Recurrent profit	**6,159**	8,121	(24.2%)
Earnings per share (HK cents)			
Basic	**153.22**	201.52	(24.0%)
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	0.0%
Final dividend	**48.00**	60.00	(20.0%)
	70.00	82.00	(14.6%)
Consolidated statement of financial position highlights			
Total assets	**172,314**	172,155	0.1%
Capital and reserves attributable to equity holders of the Company	**102,155**	96,969	5.3%
Net interest-bearing debts and lease liabilities[2]	**25,159**	25,850	(2.7%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**7,238**	8,781	(17.6%)

	2023 HK$'million	2022 HK$'million	Year-on-year changes
Revenue			
Ports operation	**10,680**	11,833	(9.7%)
Bonded logistics operation	**593**	522	13.6%
Other operations	**209**	190	10.0%
Total	**11,482**	12,545	(8.5%)
EBITDA[3]			
Ports operation	**6,141**	6,435	(4.6%)
Bonded logistics operation	**347**	232	49.6%
Other operations	**119**	164	(27.4%)
Total	**6,607**	6,831	(3.3%)
Share of profits less losses of associates and joint ventures	**5,646**	8,112	(30.4%)
Non-recurrent gains/(losses)	**167**	(376)	144.4%
Corporation function	**(322)**	(665)	(51.6%)
Finance costs, net	**(1,330)**	(1,454)	(8.5%)
Taxation	**(1,174)**	(1,046)	12.2%
Depreciation and amortisation	**(2,209)**	(2,373)	(6.9%)
Non-controlling interests and holders of perpetual capital securities	**(1,152)**	(1,248)	(7.7%)
Profit attributable to equity holders of the Company	**6,233**	7,781	(19.9%)

1 For 2023, include gain on disposal of a subsidiary, net of tax of HK$34 million, net change in fair value of investment properties, net of tax of HK$1 million, and net change in fair value of financial assets (equity investments) at fair value through profit or loss, net of tax of HK$41 million. 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 (equity investments) at fair value through profit or loss, net of tax of HK$342 million.

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

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

46 Ports *in*

26 Countries *and* Regions

on 6 Continents


CICT
ZPMC
07
08

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 Asia, Africa, Europe, Oceania, South America and North America, 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 reputation, etc.

MAJOR MILESTONES IN 2023

MARCH

The Board of Directors (the "**Board**") of the Company appointed Ms. Chan Yuen Sau Kelly as an Independent Non-Executive Director to enhance board diversity. As at 31 December 2023, there were 2 female directors on the Board.

APRIL

The Group entered into the Shareholders Agreement with Access Engineering PLC ("**Access Engineering**") and Sri Lanka Ports Authority ("**SLPA**"), in relation to the establishment and governance of South Asia Commercial and Logistics Hub ("**SACLH**"), which is owned as to 70%, 15% and 15% by the Group, Access Engineering and SLPA. The Group agreed to contribute in cash US$58.80 million (equivalent to approximately HK$462 million). SACLH will be of great significance to the Group in increasing its influence in Colombo, Sri Lanka, and enhancing its market competitiveness, which is in line with the Group's investment strategy.

JULY

The Board appointed Mr. Feng Boming as the Chairman of the Board and a Non-executive Director, Mr. Xu Song as the Vice Chairman of the Board and the CEO, Mr. Lu Yongxin as the Managing Director. The Board appointed Mr. Wong Chi Wing as an Independent Non-Executive Director to enhance board independence.

AUGUST

The Group completed the disposal of 45% equity interest in Ningbo Daxie China Merchants International Terminals Co., Ltd. to Ningbo Zhoushan Port Company Limited at a consideration of RMB1,845 million (equivalent to approximately HK$2,021 million).

OCTOBER

MSCI upgraded the Group's rating on environmental, social and governance from"CCC" to "BB" by two notches.

NOVEMBER

The Group agreed to acquire 51% equity interest in PT Nusantara Pelabuhan Handal Tbk ("**NPH**"), a company listed on the Indonesia Stock Exchange, for a consideration of approximately USD61.20 million (equivalent to approximately HK$478 million). The Group will take lead on the management of NPH's operation and consolidate its financial position, and establish a platform for future investment opportunities in Indonesia.

CHAIRMAN'S STATEMENT

It is with great delight that I present China Merchants Port Holdings Company Limited (the "**Company**") and its subsidiaries' (the "**Group**") 2023 annual report (the "**Annual Report**") and its audited financial statements for the year ended 31 December 2023.

The Company is a global leading port developer, investor and operator, with a comprehensive ports network at hub locations along coastal China, as well as Asia, Africa, Europe, Oceania, South America and North America, amongst others. In recent years, the Company has been deepening its global presence and striving to improve its performance, with the aim of becoming a "world's leading comprehensive port service provider with high quality".

The world, the era and the industry underwent unprecedented changes in 2023. The global industrial chain and supply chain were accelerating their restructuring and adjustment, with the trend of localization and regionalization becoming more evident. Against the backdrop of the continued vulnerability of the global economy, increasing geopolitical risks, declining stability of the supply chain, and intensifying conflicts between supply and demand in the industry in the new round, the port and shipping markets continued to be complicated and uncertain. The daily operation and management of port enterprises and their overseas investment presence encountered great challenges. In the face of the complicated external environment, the Group has taken "high-quality development" as the main line and "lean operation and global layout" as the lead, and solidly promoted "endogenous growth" and "innovation and upgrade", and effectively responded to the impact of factors beyond expectations, and accomplished various operational tasks and opened up a sound situation for high-quality development.

REVIEW FOR THE YEAR

In 2023, the global economic landscape continued to undergo profound adjustments with the impact of grim geopolitical situation and frequent regional conflicts. The increasing anti-globalization trend and obvious rise of unilateralism and protectionism, together with the intensified price volatility in the commodity market, the subsistence of inflation problem, and the accumulation of risks in the global financial markets, bought about a series of risky challenges for the development of the global economy. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2024, the global economy was expected to increase by 3.1% year-on-year in 2023. It was estimated that developed economies and emerging and developing economies would grow by 1.6% and 4.1% respectively. In terms of global trade, the volume of global trade is expected to increase by 0.8% in 2023, well below half of the estimated value for April 2023. This was mainly due to signs of a slowdown in trade in developed countries and in some regions because of inflation and shrinking demand.

Facing a complex and intertwined international environment, China adhered to the general principle of seeking progress while maintaining stability. By solidly promoting high-quality development, China focused on expanding domestic demand, optimizing structure, boosting confidence, and preventing and resolving risks. The macroeconomic control policies continued to take effect and the market demand continued to improve. Overall, China withstood the downward pressure from external economies, continued to promote the stabilization of scale and optimization of structure, made precise efforts in various domestic policies, and continuously accumulated positive factors. As a result, China's overall development exhibited a positive and improving development trend. According to the statistics published by the General Administration of Customs of People's Republic of China, the total foreign trade of import and export value of China amounted to RMB41.76 trillion in 2023, representing an increase of 0.2% year-on-year. Among which, the total export value was RMB23.77 trillion, up by 0.6% year-on-year, while the total import value was RMB17.99 trillion, down by 0.3% year-on-year.

Container throughput in global ports grew at a slower rate in 2023 than in 2022 due to the slow recovery of the market. The Group's overall operation still performed well with steady growth. In terms of port operations, the Group's invested global port projects achieved a full-year container throughput of 137.48 million twenty-foot equivalent unit ("**TEU**"), representing an increase of 0.7% over 2022, and a bulk cargo volume of 557 million tonnes, representing an increase of 2.0% over the previous year. Looking into the regional performance, Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 103.41 million TEUs, representing a year-on-year increase of 0.7%; and overseas operations delivered a container throughput of 34.06 million TEUs, up by 0.6% year-on-year. Among the major ports in the Group's portfolio, container throughput handled by the West Shenzhen Port Zone was 12.31 million TEUs, up by 1.9% year-on-year.

In 2023, adhering to the general principle of seeking progress while maintaining stability, the Group focused on growth, accelerated transformation, and improved the quality of production and operation while maintaining stability. As for homebase port construction, the Group continued to reinforce the strategic objective of "building a world-class leading port". Focusing on promoting efficient operation, the Group further enhanced the comprehensive competitiveness of the West Shenzhen homebase port as a world-class leading port, and focused on building the competitiveness of comprehensive port service in Sri Lanka. The Group actively promoted the green energy construction of Mawan Smart Port, and continued to help to strengthen the coordinated ports model in the Guangdong-Hong Kong-Macao Greater Bay Area. In terms of overseas business, the Group seized the opportunities of global economic and trade recovery, consolidated the main business capability of the container port of the homebase port in Sri Lanka, actively promoted the construction of the South Asia Commercial and Logistics Hub, and extended the comprehensive port logistics business. The Group has made an important breakthrough in its presence in Southeast Asia, and intended to acquire 51% equity interest in PT Nusantara Pelabuhan Handal Tbk, a company listed on the Indonesia Stock Exchange under the share code PORT, which is conducive to promoting the Group's strategic port network in the region. In terms of comprehensive development, the Group's domestic parks advanced in parallel, and the overseas parks developed against the trend, with the number of enterprises entering the industrial parks of the projects in Djibouti and Sri Lanka increasing steadily. In terms of innovative development, by promoting the construction of applications such as "CMCore", "CM ePort" and "Smart Management Platform (SMP)", as well as the port Internet of Things base, digital governance system and network information security protection system, the Group continued to facilitate the expansion of green and smart ports. The research report, namely the "Research and Application of Integrated Intelligent Management Platform of Large-scale Port Group Based on Big Data Analysis", has obtained the grand prize of Science and Technology Progress Award by China Ports and Harbours Association in 2023. In respect of capital operation, the Group continued to boost the "asset operation + capital operation", stock up asset resources, and effectively utilized the accessible mechanism to improve investment returns. In terms of operation management, the Group focused on the primary task of "high-quality development" and the business goal of "maintaining growth", promoted the operation plan and control, and accelerated the construction of an operation management and control system of "empowerment-professionalism-value". Meanwhile, the Group adhered to the concept of "all costs are controllable", advocated a cost management culture of "big picture thinking" and "small details make a difference", formulated a quality and efficiency improvement action plan, advanced cost optimization from multiple dimensions, and effectively enhanced profitability. With regard to marketing and commerce, the Group attached importance to promoting synergy, optimizing products as well as business practices. The innovation and upgrading of the digital service platform was completed. In terms of environmental, social and governance (ESG) construction, we actively pushed forward the concept of sustainable development, set and defined goals from top to bottom, clarified the short, medium, and long-term improvement strategies and directions, and formed a specific action guide for the implementation subject. In 2023, MSCI, an international authoritative ESG index institution, upgraded the Group's rating to "BB", which represents a two-notch upgrade. The Company was honored with the "Best Listed Company for ESG Practice" in the 13th Hong Kong International Finance Forum and the Hong Kong ESG List Annual Assessment Ceremony in 2023 and the "Industry Champions of the Year" in the 2023 Asia Corporate Excellence & Sustainability Awards.

OPERATING RESULTS

In 2023, the Group's revenue reached HK$11,482 million, representing a decrease of 8.5% year-on-year, which was mainly due to the disposal of Ningbo Daxie China Merchants International Terminals Co., Ltd. in August 2023. Profit attributable to equity holders of the Company amounted to HK$6,233 million, representing a decrease of 19.9% year-on-year. Of this amount, recurrent profit [Note 1] was HK$6,159 million, representing a decrease of 24.2% year-on-year.

DIVIDENDS

The Board of the Company has resolved to propose at the forthcoming Annual General Meeting the payment of a final dividend of 48 HK cents per ordinary share. Together with the interim dividend of 22 HK cents per share, the total dividend for the year amounted to 70 HK cents per ordinary share, representing a full-year payout ratio of 46.9%. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the final dividend for ordinary shares will be payable on or around 5 July 2024 to shareholders whose names appear on the register of members of the Company on 7 June 2024.

FUTURE PROSPECTS

Looking forward to 2024, the progress of global economic recovery is still slow and imbalance. Major international events, such as the Russia-Ukraine conflict, the Palestinian-Israeli conflict and the Red Sea crisis will still continue. As the global divergence continues to expand, the growth of developed economies will slow down significantly. The growth rate of emerging markets and developing economies is expected to be relatively moderate, while the growth rate of global economy and trade will be at a historically low level. In the meantime, the elections of major countries have brought more uncertainties to the world, and the global political and economic situation has become more and more complicated. In 2024, China will adhere to the general principle of seeking progress while maintaining stability, consolidate and enhance the positive trend of economic recovery, and continue to promote the effective improvement of quality and reasonable growth of quantity of the economy. It is expected that with the gradual implementation of various economic stabilization policies and the continuous release of the effect of various trade agreements, the flow of cross-national trade elements will be further improved, the momentum of commodity import and export will be enhanced, and new growth opportunities will be provided for the port industry. In addition, the coordinated transformation and development of digital and green ports will also inject new development momentum into the port industry.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent losses/gains after tax. Non-recurrent losses/gains include: for 2023, net change in fair value of financial assets at fair value through profit or loss, net change in fair value of investment properties and gain on disposal of a subsidiary; while 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.

In 2024, the imbalance between supply and demand in the shipping market will become more prominent, and freight rates are expected to remain weak. Coupled with the continued tension in the Red Sea region forcing ships to be rerouted around the Cape of Good Hope and the declining navigation capacity of the Panama Canal due to extreme weather, as well as the continuous disturbance of shipping capacity control, cost reduction measures and alliance cooperation changes of shipping companies, the container shipping market may enter a new normal of complex and volatile situation with a slow growth.

In 2024, the Group will actively integrate into the overall development of the country, seize the development opportunities of China to accelerate the construction of an internal and external connectivity, safe and efficient logistics network, implement the new development concept, and implement the requirements of high-quality development. The Group will focus on digital and intelligent technology and green technology to improve its core competitiveness, bear the responsibilities and missions on the new journey, give full play to the industrial control and security support, and enhance core functions. First, we will adhere to the original aspiration and be consistent to it with a firm belief to build strategic strength. The Group will strengthen the capacity building of the headquarters, enhance the expansion capacity of overseas terminals, and continue to promote the implementation of various strategies. Second, we will consolidate the foundation for new development, adapt to changes, and promote reform with strong innovation to create a leading force. The Group will build differentiated competitive advantages of digital intelligence technology, seize the development trend of green technology, and strengthen collaborative innovation to realize the transformation and upgrading of the main port business. Third, we will cultivate professionally through intensive cultivation, continuous optimization, and lean operations. Adhering to the improvement of quality and efficiency, the Group will improve the working mechanism and team building of the Center of Excellence (COE), comprehensively implement lean management, strengthen cost control, focus on reducing costs and increasing efficiency, and establish a professional, efficient and strong operation and management headquarters. Fourth, we will keep on pioneering and enterprising, coordinate development, and create a supporting force for high-quality development. By coordinating the construction of a strong port, key projects and safe production, promoting the high-quality development of the Group, building itself into a "world's leading comprehensive port service provider with high quality", the Group is committed to creating greater value for itself and bringing more returns to the shareholders.

APPRECIATION

In 2023, facing the severe external situation and a series of risks and challenges, the Group adhered to strategic leadership, focused on "endogenous growth" and "innovation and upgrade", significantly improved its lean operation capability, accelerated the pace of its global deployment, and successfully implemented various key tasks, resulting in a stable performance with steady growth. All of these could not be accomplished without the dedication of all staff of the Group 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

Feng Boming

Hong Kong, 28 March, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

GENERAL OVERVIEW

In 2023, the global economy showed some resilience. Extreme situations such as economic recession and deep-seated financial crises that were worried by the international community did not occur, however, the weak economic recovery still plagued most countries. The global economic landscape continued to experience adjustments, with severe geopolitical situations, frequent regional conflicts, rising trend of anti-globalization, significant rise in unilateral and protectionism, price fluctuations in the commodity market, prolonged inflation, and continuous accumulation of risks in the global financial market, which posed risks and challenges to the global economic development. The issue of global divergence has been growing, especially in emerging markets and developing economies, and regional divergence has become more and more obvious, which brought more uncertainties to the global economic development and adversely affected the steady recovery of the world economy. In accordance with the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2024, the global economy was expected to grow by 3.1% year-on-year in 2023, representing a decrease of 0.4 percentage point as compared with 2022, of which the developed economies were projected to grow by 1.6%, down 1.0 percentage points year-on-year; and the emerging and developing economies were projected to grow by 4.1%, representing a flat growth year-on-year. With reference to the report of the U.S. Department of Commerce, the gross domestic product ("**GDP**") of the United States increased by 2.5% year-on-year in 2023, up 0.6% over the previous year. According to the data from the Eurostat, due to the impact of the economic and technological recession, the GDP of the Eurozone was expected to increase by 0.5% year-on-year in 2023, of which the GDP of Germany decreased by 0.3% year-on-year; France's GDP posted zero growth in the fourth quarter, up 0.9% for the full year; Japan's third-quarter GDP recorded its first negative quarterly growth since 2023 and was forecast to fall by 0.5% quarter-on-quarter. South Korea's GDP was projected to grow by 0.6% quarter-on-quarter in the fourth quarter of 2023 and 1.4% year-on-year due to exports and local consumption improved. In respect of global trade, it was expected that the global trade growth for 2023 would be 0.8%, far below half of the forecast in April 2023. This was mainly due to signs of a slowdown in trade in developed countries and some regions because of the impact of inflation.

Under the complex international environment, China adhered to the general principle of seeking progress while maintaining stability, solidly promoted high-quality development, boosted the market confidence and expanded domestic demand, optimized structure and prevented risks. Thus the macro-control policies have achieved remarkable results and the market demand kept on improving. According to the data from the National Bureau of Statistics of China, the GDP of China in 2023 increased by 5.2% and economic growth has been ahead of that of major economies around the world. In general, under the downward pressure of the external economic environment, China continued to stablize the scale and optimize the structure, and various domestic policies gave notable results. As positive factors continued to accumulate, the overall development has been heading in a positive direction. According to the statistics published by the General Administration of Customs of the People's Republic of China, total foreign trade of import and export value of China amounted to RMB41.76 trillion in 2023, representing an increase of 0.2% year-on-year, among which the total export value was RMB23.77 trillion, up by 0.6% year-on-year, while the total import value was RMB17.99 trillion, down by 0.3% year-on-year.

The global industrial chain and supply chain saw a fragmented and regionalized development trend. Two years after the Regional Comprehensive Economic Partnership (RCEP) came into effect, the policy benefits have been paying out. The industrial cooperation among member countries was continuously deepened, which promoted the significant reduction of trade costs in the region, brought actual benefits to the parties involved, and helped the stable development of the regional economy in win-win cooperation. In 2023, China, Singapore, Vietnam, Australia and other member countries recorded a year-on-year increase of 2.2%, 5.0% and 9.8% in RMB-denominated import and export value, respectively. The development of digital intelligence technologies such as big data, artificial intelligence, cloud computing, Internet of Things and blockchain has brought new directions to the international economy and trade, reduced the information asymmetry in the trade process, changed the international supply and demand relationship, and had a far-reaching impact on the trade model, trade structure and trade pattern. The gradual advancement and improvement of the platform-based trade ecosystem will further improve the utilization rate of production factors and trade operation efficiency.

The international maritime industry is deeply affected by the reshaping of the global industrial chain and supply chain, and the shipping routes layout in 2023 has been significantly adjusted. To ensure the safety and stability of the supply chain, the developed countries have implemented strong policy interventions for the well-established global industrial chain and supply chain, and accelerated the development trend of short-chain, nearshore and quayside. The number of "black swan" events such as the spillover and spread of the Palestinian-Israeli conflict has increased, and the "Houthis Factor" has triggered chain effects such as routes detour, shipping costs and freight rates surge, which has affected the benefits of maritime transportation in many countries. The flow of global trade goods was disrupted, and the instability of global shipping and global supply chain increased.

In 2023, the uncertainty of the container market increased, which led to the supply-and-demand imbalance in the container shipping market. On the demand side, the Global Purchasing Managers Index (PMI) fell, and the overall demand of container shipping remained weak. The Baltic and International Shipping Association (BIMCO) predicted that the growth rate of global container shipping volume would be -0.5% to 0.5% in 2023. On the supply side, a total of 350 container vessels were delivered by global shipbuilders in 2023, with a total shipping capacity of 2.20 million twenty-foot equivalent unit ("**TEU**"), breaking the record of 1.70 million TEUs in 2015, nearly doubling the delivery volume and total shipping capacity in 2022, and the supply of shipping capacity far outweighs the growth of demand. It is expected that there will be more shipping capacity released in 2024, and the operation of shipping companies will face further pressure, calling for cost control and business diversification to ensure revenue, including optimizing fleet capacity, reducing charter costs, slow sailing, extending to the two ends of the shipping logistics chain, and carrying out investment in the zero-carbon operation area.

Affected by the global economy and trade as well as international maritime industry, the growth of container throughput at the world's major hub ports was sluggish, but the terminal operations of Asian ports showed some resilience. In the second half of 2023, except for the continued decline in ports of Europe and the United States, major ports in other regions regained the growth momentum. According to a forecast report issued by Drewry, a global shipping consulting agency, global container throughput increased by 1.0% year-on-year in 2023. According to Alphaliner, a shipping consulting agency, the world's top 20 ports achieved a total container throughput of 277.99 million TEUs, down by 0.4% year-on-year in the first three quarters of 2023, and container throughput for major regions grew at a different pace. Among them, the ports in the Greater China region achieved throughput of 169.50 million TEUs, up 2.1% year-on-year; ports in Southeast

Asia region achieved throughput of 53.54 million TEUs, up 1.9% year-on-year; and ports in Europe and North America regions achieved throughput of 19.70 million TEUs and 18.00 million TEUs respectively, representing year-on-year declines of 7.1% and 20.2%. Benefiting from the overall upturn in China's economic performance, the economy-driven trade effect continued, foreign trade imports and exports improved steadily while improving in quality, and the port business in Mainland China maintained its leading position in global growth. According to the data from the National Bureau of Statistics, the accumulated container throughput of 310.34 million TEUs, representing a year-on-year increase of 4.9% and accumulated cargo throughput of 17 billion tonnes, representing a year-on-year increase of 8.2% handled by ports in Mainland China in 2023.

BUSINESS STRATEGY DEPLOYMENT

In 2023, the Group adhered to the general principle of seeking progress while maintaining stability. It focused on "endogenous growth", accelerated "innovation and upgrade", and steadily improved quality of production and operation, and focused on the eight major aspects, including homebase port construction, overseas business, comprehensive development, innovative development, capital operation, operation and management, marketing and commerce, environmental, social and governance ("**ESG**") construction. During the year, there were four highlights on the Group's business operation. First, the Group's overseas expansion achieved fruitful results. The key project of "cultivation in Southeast Asia" went ahead to acquire 51% equity interest in PT Nusantara Pelabuhan Handal Tbk ("**NPH**") in Indonesia. In addition, the Group invested in the building of South Asia Commercial Logistics Hub to further enhance the core competitiveness of its overseas homebase port. Second, the Group's domestic and overseas homebase ports further consolidated their regional positions with increasing market share, and Hambantota International Port Group (Private) Limited ("**HIPG**")'s RORO and oil and gas business achieved breakthrough growth. Third, smart technology achieved new advancement. The container terminal operating system ("**CTOS**") was upgraded to version 5.0, serving 15 customers in 6 countries, and its influence continued to boost. "CM ePort" achieved full coverage of the Group's controlled port terminals in Mainland China and provided customers with one-stop smart services. The Smart Management Platform ("**SMP**") has successfully won the Grand Prize of the Science and Technology Progress Award in 2023 by China Ports and Harbours Association. Fourth, the Group's ESG rating has been upgraded. MSCI, an international authoritative ESG index institution, upgraded the Group's rating to "BB", which represent a two-notch upgrade. The Group was honored with the "Best Listed Company for ESG Practice" in the 13th Hong Kong International Finance Forum and the Hong Kong ESG List Annual Assessment Ceremony in 2023 and the "Industry Champions of the Year" in the 2023 Asia Corporate Excellence & Sustainability Awards.

As for homebase port construction, the business volume of the Group's West Shenzhen homebase port increased steadily. The market share of container throughput in foreign trade in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**") hit a record high, outperforming the overall regional level. In addition, the coordinated ports model in the Greater Bay Area has been continuously promoted to other regions, which efficiently facilitated the coordinated port system of the West Shenzhen Port Zone – inland river terminals, and built the functional integration of the coordinated port blockchain platform and the Pearl River Delta barge dispatch platform, greatly expediting the trade and logistics convenience of the Greater Bay Area. In 2023, the Group set up a total of 30 locations under its coordinated port model, further strengthening the multi-dimensional business synergy alliance with the West Shenzhen homebase port as the core. Sri Lanka homebase port continued to carry out the construction of an international shipping center in South Asia. Colombo International Container Terminals Limited ("**CICT**") continuously optimized its route layout, focusing on the volume of origin and destination containers and consolidating its fundamental feature, and its market share in the origin and destination containers reached a record high. HIPG continued to improve its core competitiveness, consolidated the fundamental feature of the RORO business, actively explored the value-added services for the RORO business, and achieved new breakthroughs in the refueling of ships on the main routes and a record high in the business of RORO and fuel oil.

Regarding overseas business, in the face of the complex and volatile international economic and trade situation, the Group actively seized investment opportunities. In April 2023, the Group entered into a shareholders agreement with Access Engineering PLC and the Sri Lanka Ports Authority in relation to the establishment and governance of the South Asia Commercial and Logistics Hub Project. The project is a harborside multi-storey warehouse and logistics project using the "Build-Operate-Transfer (BOT)" model with a total investment of US$392 million (equivalent to approximately HK$3,077 million). It will carry out import and export devanning and packing, bonded warehouse storage, free port business, warehouse leasing and port trade logistics. The project will not only significantly improve the level of local logistics services, but also attract more business and throughput for overseas homebase ports, further enhancing CICT's position as a hub port in South Asia. In Southeast Asia, the Group entered into an acquisition agreement in November 2023 to acquire 51% equity interest in NPH in Indonesia at a consideration of approximately US$61.20 million (equivalent to approximately HK$478 million) and will become its controlling shareholder. NPH is a company listed on the Indonesia Stock Exchange. It operates two container terminals in Jakarta and provides container, multi-purpose and general terminal services, as well as port equipment engineering services. The acquisition will be conducive to the Group's important breakthroughs in its presence in Southeast Asia and will allow it to fully leverage its local partners to tap into the Indonesian market.

In pursuit of comprehensive development, the Group's domestic industrial parks have been working at full force, and overseas industrial parks achieved progress under adverse circumstance. China Merchants Bonded Logistics Co., Ltd. ("**CMBL**") realized the effective utilization of additional warehouse resources, and the utilization rate of warehouses exceeded 95%. The new energy vehicle export service platform achieved relatively good results. The bonded logistics operation of China Merchants International Terminal (Qingdao) Co., Ltd. ("**CMITQ**") remained stable. Its self-operated business was diversified, while the volume from warehousing operations doubled year-on-year. HIPG industrial zone deeply explored the market, and the quality of customers has been greatly improved. In 2023, 12 contracted customers moved into the park, and 51 enterprises have signed up to do so. The number of contracted enterprises in the Djibouti International Free Trade Zone reached 351, with a storage utilization rate of 100% and a warehouse occupancy rate of over 96%.

In respect of innovative development, the Group continued to revise and improve its digital planning in accordance with industry development requirements and technology development trends. By promoting the construction of three major platforms, namely "CMCore", "CM ePort" and SMP, as well as a port Internet of Things base, a digital governance system and an establishment of information security protection network, the Group set to improve the relevant implementation plans, enhance the industrial digitalization standard, and keep on advancing the construction of smart ports. CTOS project achieved significant results, while "CM ePort" achieved full coverage of the controlled port area in Mainland China and provided customers with one-stop smart services. In respect of SMP, the Group completed the construction of data architecture, business process platform, data index platform and global monitoring center, which were fully applied to enterprise process management and operation analysis to support management decisions.

Regarding capital operation, the Group explored rooms for profit improvement of its existing assets in an all-round way from three working principles of "asset operation, endogenous growth", "capital operation, optimization of the structure of existing assets" and "value mining of existing assets". It explored short-term, medium-term and long-term measures and goals to advance cost reduction and efficiency improvement. The proceeds from the disposal of 45% equity interest in Ningbo Daxie China Merchants International Terminals Co., Ltd. ("**Ningbo Daxie**") by the Group at a consideration of RMB1,845 million (equivalent to approximately HK$2,021 million) were used as general working capital. As a result, the resources utilization was effectively optimized and the Group's development potential was enhanced.

In respect of operation management, the Group leveraged on SMP to build a one-stop integrated management platform to support the business analysis of container, bulk cargo, logistics parks, comprehensive development and smart technology. With digital technology as the key force, the Group made use of the smart tools to drive the reform of its operation and management methods, models and concepts. At present, the Group has basically realized the collection and management of full life-cycle information of assets, as well as the standardization and online operation of major business processes. In addition, the Group also optimized the engineering management system and strengthened the life-cycle supervision of major projects. The Group kept on optimizing profitability and continuously initiated measures to improve quality and efficiency. The business financial analysis framework was improved and reshaped, while the growth of costs and expenses was strictly controlled. By deepening the cost control to form a normalized mechanism for cost reduction and efficiency enhancement, the Group has achieved phased results in its lean operation.

As for marketing and commerce, the Group is committed to promoting synergy, optimizing products, attaching importance to commercial activities and upgrading the systems. The innovation and upgrading of the digital service platform were completed. With the concept of unified architecture and unified structure, the Group completed the new upgrade of the "CM ePort" comprehensive service platform, and launched it in the Group's controlled terminals in Mainland China to promote the online, paperless and self-service of port-related services, so as to meet the business demand of customers on the mobile and computer ends.

As for the ESG construction, under the guidance of the ESG strategic planning, the Group further improved the comprehensive ESG management system, compiled the ESG work manual, and carried out the ESG upgrade for the overseas projects. Focusing on the main line of port business and industry priorities, the Group fully capitalized on its resources advantages and continuously expanded the characteristic ESG practices. In the meantime, the content of ESG information disclosure and the disclosure channels were improved. The Group was honored with rating upgrade and ESG awards by various ESG rating agencies in 2023.

BUSINESS REVIEW

Ports operation

In 2023, the Group's ports handled a total container throughput of 137.48 million TEUs, up by 0.7% year-on-year. Among which, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 103.41 million TEUs, representing an increase of 0.7% 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 0.6% year-on-year to 34.06 million TEUs, which was mainly benefitted from the growth of container throughput of TCP Participações S.A. ("**TCP**") in Brazil, Port de Djibouti S.A. ("**PDSA**") in Djibouti and Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi ("**Kumport**") in Turkey. Bulk cargo volume handled by the Group's ports increased by 2.0% year-on-year to 557 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 551 million tonnes, representing an increase of 1.8% year-on-year.

The gross throughput volume handled by the Group's container terminals for the year ended 31 December 2023 is as below:

Container Terminals	2023 thousand TEUs	2022 thousand TEUs	Year-on-year changes
Mainland China, Hong Kong and Taiwan	**103,413**	102,653	0.7%
Pearl River Delta region	**17,345**	18,208	(4.7%)
West Shenzhen Port Zone	**12,311**	12,078	1.9%
China Merchants Container Services Limited and Modern Terminals Limited	**4,155**	4,849	(14.3%)
Chu Kong River Trade Terminal Co., Limited	**879**	871	0.9%
Guangdong Yide Port Limited	**0**	410	(100.0%)
Yangtze River Delta region	**50,817**	50,474	0.7%
Shanghai International Port (Group) Co., Ltd.	**49,158**	47,300	3.9%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	**1,659**	3,174	(47.7%)
Bohai Rim region	**30,310**	28,727	5.5%
Liaoning Port Co., Ltd.	**11,438**	10,897	5.0%
Qingdao Qianwan United Container Terminal Co., Ltd.	**10,650**	9,349	13.9%
Tianjin Port Container Terminal Co., Ltd.	**8,222**	8,481	(3.1%)
Others	**4,941**	5,244	(5.8%)
Shantou China Merchants Port Group Co., Ltd.	**1,644**	1,630	0.9%
Zhangzhou China Merchants Port Co., Ltd.	**356**	332	7.2%
Zhanjiang Port (Group) Co., Ltd.	**1,271**	1,234	3.0%
Kao Ming Container Terminal Corp.	**1,670**	2,048	(18.5%)
Other locations	**34,064**	33,877	0.6%
Colombo International Container Terminals Limited	**3,248**	3,215	1.0%
TCP Participações S.A.	**1,253**	1,156	8.4%
Lomé Container Terminal S.A.	**1,601**	1,603	(0.1%)
Tin-Can Island Container Terminal Ltd.	**317**	300	5.7%
Port de Djibouti S.A.	**887**	635	39.7%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	**1,317**	1,209	8.9%
Terminal Link SAS	**25,441**	25,759	(1.2%)
Total	**137,477**	136,530	0.7%

Pearl River Delta region

The West Shenzhen Port Zone handled a container throughput of 12.31 million TEUs, up by 1.9% year-on-year, and bulk cargo volume of 8.33 million tonnes, down by 21.4% year-on-year, which was mainly affected by the business restructuring in the West Shenzhen Port Zone. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 0.88 million TEUs, up by 0.9% year-on-year, and handled a bulk cargo volume of 3.99 million tonnes, down by 6.1% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited ("**CMCS**") in Hong Kong delivered an aggregate container throughput of 4.16 million TEUs, decreased by 14.3% year-on-year, which was mainly affected by the gradual decrease in transshipment business in the Hong Kong market and the return of business of good supply from Mainland China to Hong Kong.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. handled a container throughput of 49.16 million TEUs, up by 3.9% year-on-year; and handled a bulk cargo volume of 84.01 million TEUs, up by 7.5% year-on-year, which was mainly due to a lower base of the corresponding period last year. Ningbo Daxie handled a container throughput of 1.66 million TEUs, down by 47.7% year-on-year, which was mainly due to no more container throughput counted from Ningbo Daxie after the Group's disposal of 45% equity interest in Ningbo Daxie to Ningbo Zhoushan Port Company Limited in August 2023.

Bohai Rim region

Liaoning Port Co., Ltd. handled a container throughput of 11.44 million TEUs, up by 5.0% year-on-year, which was mainly benefitted from the recovery of the international shipping routes; and handled a bulk cargo volume of 251 million tonnes, down by 1.2% year-on-year. Owing to the improvement of commercial policy and shipping routes, Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 10.65 million TEUs, representing an increase of 13.9% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 13.92 million tonnes, representing an increase of 2.1% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 74.64 million tonnes, up by 3.4% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 8.22 million TEUs, representing a decrease of 3.1% year-on-year.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 1.64 million TEUs, representing an increase of 0.9% year-on-year, mainly due to the increase in international cargoes; and handled a bulk cargo volume of 4.62 million tonnes, up by 21.0% year-on-year, which was mainly benefitted from the increase in the import of foreign trading coal. Zhangzhou China Merchants Port Co., Ltd. located in the Xiamen Bay Economic Zone handled a container throughput of 0.36 million TEUs, increased by 7.2% year-on-year, mainly attributable to the expansion of laden containers resources of domestic trade in hinterland and newly added shipping routes, as well as the increment of sea-rail combined transport; its bulk cargo volume increased by 9.3% year-on-year to 9.17 million tonnes, which was mainly benefitted from the favorable policy related to the grain and log businesses. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 6.20 million tonnes, up by 2.0% year-on year.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 1.27 million TEUs, representing an increase of 3.0% year-on-year, which was mainly due to the expansion of the iron ore, coal and grain business; and handled a bulk cargo volume of 94.45 million tonnes, up by 13.6% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung handled a total container throughput of 1.67 million TEUs, representing a decrease of 18.5% year-on-year, which was mainly due to the decrease in transshipment business.

Overseas operation

In 2023, a total container throughput handled by the Group's overseas projects increased by 0.6% year-on-year to 34.06 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 3.25 million TEUs, up by 1.0% year-on-year, which was conducive to increase its market share and maintain the competitive advantages in the regional market. HIPG's RORO terminal handled 0.70 million vehicles, up by 25% year-on-year, strengthening its status as a regional transshipment hub. Benefitting from the expansion of oil and gas business, the bulk cargo volume handled by HIPG was 2.46 million tonnes, representing an increase of 89.8% year-on-year. TCP in Brazil handled a container throughput of 1.25 million TEUs for the year, up by 8.4% year-on-year, which was mainly attributable to the further improvement of business structure and its market share in laden container and reefer container. Container throughput handled by Lomé Container Terminal S.A. ("**LCT**") in Togo remained flat over the previous year at 1.60 million TEUs, as a result of the improvement in business structure. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.32 million TEUs, representing an increase of 5.7% year-on-year. Thanks to the increase in import and transshipment cargoes, PDSA in Djibouti handled a container throughput of 0.89 million TEUs, up by 39.7% year-on-year, and a bulk cargo volume of 4.01 million tonnes, down by 1.8% year-on-year. Container throughput handled by Kumport in Turkey was 1.32 million TEUs, representing an increase of 8.9% year-on-year, mainly due to the additional shipping routes; and the bulk cargo volume handled was 0.45 million tonnes, up by 209.0% year-on-year, which mainly benefitted from the continued increase in export of construction materials. Terminal Link SAS handled a container throughput of 25.44 million TEUs, down by 1.2% year-on-year.

Bonded logistics operation

In 2023, with a direction to building a platform for the harborside logistics supply chain, the Group's bonded logistics business took initiatives to upgrade the comprehensive service standard of the port, made every effort to improve the resource utilization rate of existing warehouses and yards, and actively responded to the instability of the international shipping market. The average utilization rate of the warehouses of CMBL in Shenzhen reached 96%, as a result of active exploration of resources and comprehensive service development models. Amidst the overall economic downturn and the unfavorable situation of large vacant warehouses in the vicinity, CMITQ improved the comprehensive service standard by emphasizing a working mindset of improving operations, capabilities and services, and managed to maintain its average utilization rate of the warehouses by more than 80%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilization rate of 100% of its warehouses. In the Djibouti International Free Trade Zone, the average utilization rate of the bonded warehouse wholly-owned by the Group was 100%, and the average utilization rate of the bonded warehouse, which the Group invested in, was 100%.

In 2023, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 3.41 million tonnes, down by 3.4% as compared with the previous year. Asia Airfreight Terminal Company Limited, which is a joint venture of the Group, handled a total cargo volume of 0.67 million tonnes, representing a decrease of 5.6% year-on-year and a market share of 19.7%, down by 0.3 percentage point as compared with last year.

FINANCIAL REVIEW

The operating results of the Group were affected by the translation effect arising from the depreciation of Renminbi, which was mainly reflected in items such as revenue, costs and share of profits of associates and joint ventures. Coupled with the completion of the disposal of equity interest in Ningbo Daxie in August 2023, the Group's revenue for the year ended 31 December 2023 amounted to HK$11,482 million, a year-on-year decrease of 8.5%. In addition, due to a year-on-year decrease in share of profits of associates and joint ventures, profit attributable to equity holders of the Company and recurrent profit[Note 1] decreased to HK$6,233 million and HK$6,159 million respectively, representing year-on-year decreases of 19.9% and 24.2%.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains/losses after tax. Non-recurrent gains/losses include: for 2023, net change in fair value of financial assets (equity investments) at fair value through profit or loss, net change in fair value of investment properties and gain on disposal of a subsidiary; while for 2022, net change in fair value of financial assets (equity investments) 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.

Total assets of the Group amounted to HK$172,314 million as at 31 December 2023, which remained basically the same as compared with the beginning of the year. The total liabilities of the Group increased by 3.8% from HK$49,579 million as at 31 December 2022 to HK$51,469 million as at 31 December 2023. As at 31 December 2023, net assets attributable to equity holders of the Company was HK$102,155 million, increased by 5.3% as compared to that as at 31 December 2022, mainly due to the increase in the retained earnings.

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 was recognized 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 2023, the Group's net cash inflow from operating activities amounted to HK$7,238 million, representing a decrease of 17.6% year-on-year, among which, the receipt of cash dividends from associates and joint ventures were HK$2,034 million, a decrease of 21.5% year-on-year. Due to the decrease in capital expenditure on associates and joint ventures year-on-year and receipt of repayment of shareholder's loan from an associate during the year, the Group's cash flow from investing activities changed from a net outflow of HK$3,824 million for last year to a net inflow of HK$2,569 million for the year. At the same time, the Group repaid perpetual capital securities of US$600 million and notes payable of US$900 million during the year, the net cash outflow from financing activities increased from HK$4,904 million for last year to HK$7,108 million for the year.

LIQUIDITY AND TREASURY POLICIES

As at 31 December 2023, the Group had approximately HK$12,331 million in cash and bank balances, 10.1% of which was denominated in Hong Kong dollar, 28.4% in United States dollar, 49.3% in Renminbi, 5.8% in Euro, 2.5% in Brazilian Real and 3.9% 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$7,238 million in total.

During the year, the Group incurred capital expenditure amounting to HK$1,873 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$19,418 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

In October 2020, a wholly-owned subsidiary of the Company, issued US$600 million and US$200 million guaranteed perpetual capital securities with issuance interest rates of 3.50% and 3.875%, respectively ("**Perpetual Capital Securities**"), to provide the Group's working capital. The Perpetual Capital Securities have no fixed maturity and are redeemable at the Company's option on 9 October 2023 and 9 October 2025 or any distributions payment date at their principal amounts. On 10 October 2023, the Company exercised its right to redeem and repay US$600 million at 3.50% of Perpetual Capital Securities. The Stock Exchange of Hong Kong Limited (the "**HKSE**") approved the withdrawal of the listing of those Perpetual Capital Securities, effective from 18 October 2023.

As at 31 December 2023, the Company had 4,198,009,186 shares in issue. During the year, the Company issued 194,626,140 shares under the Company's scrip dividend scheme.

As at 31 December 2023, the Group's net gearing ratio[Note 2] was approximately 20.8%.

The Group had aggregate bank loans, notes payable and perpetual capital securities of HK$27,101 million as at 31 December 2023 that contain customary cross default provisions.

As at 31 December 2023, the Group's outstanding bank and other borrowings amounted to HK$36,308 million (as at 31 December 2022: HK$34,529 million). The analysis is as below:

	2023 HK$'million	2022 HK$'million
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	15,795	7,867
Between 1 and 2 years	4,715	592
Between 2 and 5 years	1,559	4,043
More than 5 years	1,330	627
	23,399	13,129
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	—	224
Between 2 and 5 years	28	28
	28	252
Notes payable which are repayable:		
In 2023	—	7,008
In 2025	3,903	3,890
In 2027	3,897	3,885
In 2028	4,656	4,638
	12,456	19,421
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	267	4
Between 1 and 2 years	—	217
More than 5 years	158	48
	425	269
Loan from immediate holding company		
Repayable within 1 year	—	1,458

Note: All loans are unsecured except for the secured loans from banks of HK$1,370 million (2022: HK$1,241 million).

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

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	Total HK$'million
As at 31 December 2023					
HKD & USD	**12,019**	**12,456**	—	—	**24,475**
RMB	**11,182**	—	**425**	—	**11,607**
Brazilian Real	**226**	—	—	—	**226**
	23,427	**12,456**	**425**	—	**36,308**
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

ASSETS CHARGE

As at 31 December 2023, loans from banks of HK$1,370 million (2022: HK$313 million) borrowed by subsidiaries of the Company were secured by right-of-use assets with carrying value of HK$34 million (2022: HK$37 million). In addition, as at 31 December 2022, 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.

RATINGS

In 2023, international credit rating agencies Standard and Poor's upgraded the rating on the Group to BBB+ and affirmed the "stable" outlook; while Moody's maintained the Baa1 investment rating on the Group and the "stable" outlook.

During the year, the Group was rated A- in the 2023 Sustainability Performance Assessment conducted by the Hong Kong Quality Assurance Agency (2022: A-). The Group's ESG rating was upgraded to BB by MSCI (2022: CCC).

EMPLOYEES AND REMUNERATION

As at 31 December 2023, the Group employed 7,749 fulltime staff, of which 155 worked in Hong Kong, 4,532 worked in Mainland China, and the remaining 3,062 worked overseas. The remuneration paid by the Group during the year amounted to HK$2,125 million, representing 27.5% of the total operating expenses of the Group.

In 2023, in the face of the sluggish recovery of the global economy, increasing uncertainties in economic and commerce or other macroeconomic environments, the Group persisted on seeking progress while maintaining stability and managed to capture opportunities under the complex situation. By fully implementing various development measures and continuously optimizing the salary incentive mechanism, it facilitated in-depth integration of personnel efficiency improvement and business development which in turn promoted the high-quality development of the Group.

The Group improved the income distribution mechanism, implemented the double benchmarking of performance-based remuneration, optimized the remuneration strategy, in a timely manner and improved the efficiency of resource allocation. The Group kept on exploring and setting up the diversified and internationalised incentive system, combining short-term and medium-and long-term incentives, as well as equity incentives and cash incentives to form a mechanism for benefits sharing and risks bearing between employees and the Group. Upholding the principle of the performance-oriented and market-oriented income distribution concept, the Group implemented precise incentives by levels and categories with sound performance assessment and incentive mechanism and made every effort to strengthen the performance assessment. Through the formation of a dynamic salary adjustment mechanism linked with assessment, the Group continued to reap effective results from salary incentives. The salary distribution was tilted to outstanding teams and staff who would create value, to front-line talents who had made outstanding contributions, and to scientific and technological innovation talents and value creators.

In compliance with the principles of internationalization, localization and marketization, the Group has built an international talent incentive system that combines differentiated management and all-round security to ensure the effective operation of the management model of "long-term expatriate specialization, short-term expatriate institutionalization and young backup talents". The Group explored the construction of incentive mechanism for technology-based enterprises, formulated and introduced special incentive measures for scientific and technological innovation talents, strengthened the incentive orientation of value creation of innovative elements such as knowledge and technology, and provided policy support and protection system for encouraging scientific and technological innovation. The Group paid attention to the establishment of a long-term incentive mechanism and studied the feasibility of phased implementation of the equity incentive plan. It explored the applicability of medium and long-term incentive tools, and actively promoted medium and long-term incentive plans for senior management and core backbone employees, so as to effectively mobilize enthusiasm and creativity and stimulate corporate vitality.

INVESTOR RELATIONS

In 2023, the Group actively communicated with investors and analysts from all over the world, participated in more than 20 investor conferences and roadshows, and flexibly adopted online and offline communication methods in response to the needs of the capital market. A number of company research and management meetings were arranged to ensure regular communication with shareholders and investors, timely delivery of company value, in order to allow the capital market to fully understanding its operating performance and financial results. In addition, in response to the hot topics of the industry concerned by the capital market, the Group gave feedback in a timely manner to further improve the information transparency as a listed company. During the year, the Group communicated with more than 340 investors and analysts around the world.

SUSTAINABLE DEVELOPMENT

Upholding the concept of sustainable development, the Group actively undertook the corporate responsibilities towards stakeholders such as shareholders, employees, society and the environment, strengthened corporate compliance management and operation, and fully integrated the concept of sustainable development into operation management and investment in order to promote sustainable development in a professional, standardized and transparent manner.

With the goal of innovative development, green and low-carbon, safe and reliable, and humanistic care, the Group continued to improve the ESG strategy and management policy, promoted the implementation and application of the ESG closed-loop management system, enhanced the internal ESG management level, and strengthened the external ESG information disclosure, in order to show all stakeholders its determination to facilitate sustainable development strategies, and continuously promote the construction of a world leading green and smart port.

The Group supported energy security and low-carbon transformation. With the goal of building a green ecological port enterprise, the Group strictly complied with relevant laws and regulations on environmental protection, implemented the main responsibility of energy conservation and environmental protection, established the sound incentive and restraint mechanism for energy conservation and environmental protection, strengthened the management of energy conservation and emission reduction in construction, production and operation at doemestic and abroad, explored green transportation services and investment opportunities, and continuously reduced the impact and dependence of business operations 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 scope of new energy-saving technologies and products, gave priority to the use of environmentally friendly and efficient equipment, gradually increased the proportion of renewable energy applications, and implemented the strategic plan of energy conservation and environmental protection. Some terminals were awarded the 4-star "China Green Port", honoring their green and low-carbon development feature.

The Group attached great importance to the protection of biodiversity and was committed to minimizing the impact of port operations on the ecosystem of the project location and its surrounding areas, utilizing land resources and protecting natural habitats on a rational manner. The Group adopted avoidance, mitigation, compensation and protection measures to control the disturbance caused by operational activities to neighboring communities and marine ecology. In overseas, TCP implemented various environmental and social regular monitoring programs. HIPG continued to promote the "Human-Elephant Co-existence" project and cooperated with the Department of Wildlife Conservation in Sri Lanka on the elephant conservation of "Save Little Elephant". LCT was committed to monitoring and protecting the sea turtle on the coast of Togo and has carried out a number of training activities. Zhangzhou terminals in China regularly tested the air quality and noise operations in the port area, so as to reduce or even eliminate the disturbance of business to the ecological environment in the long run and realize the beautiful vision of harmonious coexistence between the port and nature.

Adhering to the concept of "Safety and prevention as Priorities with Comprehensive Governance", the Group strictly abided by the laws, regulations and management measures related to health and safety management in the places where it operated, and continuously improved the safety management system. The Group continued to learn, develop and adopt advanced occupational health and safety management practices including technological means to provide a safe workplace for employees, contractors, customers, port visitors and other stakeholders.

The Group actively created a workplace environment with equality and respect, diversity and inclusiveness, and unleashing potential. While protecting the basic rights and interests of employees and optimizing the employee welfare system, the Group improved the talent training mechanism, and provided employees with multi-level and multi-form communication and appeal channels, including employee representative meetings, employee appeal mechanism, grass-roots research, etc., to actively listen to employees' voices and respond to their needs and opinions in a timely manner.

Relying on its public welfare system of "Shaping Blue Dreams Together (C-Blue)" with Global Philanthropic Mission, the Group continued to focus on talent training, value sharing, child care, environmental protection, education and medical care and livelihood assistance and so forth, and actively communicated with the communities and the public in the regions where it operated to identify the priority issues of community services, so as to further improve the systematic and comprehensive issues of community development and community investment, and assist the sustainable development of local communities. The Group continued to explore new paths for sustainable development of its projects, transforming C Blue Family Summer Camp and C Blue Children Growth Camp into a professional, high-level and systematic C Blue Rural Education Public Welfare project. The "China Merchants Silk Road Hope Village" project continued to advance deeply, and a series of infrastructures such as community activity centers, medical and health centers, crop cultivation bases, and poultry breeding bases were built for the villages where the project is located, benefiting more than 6,000 villagers. The Group further formulated skills cultivation plans to improve the self-restoration ability of local communities. The Group continued to implement a number of volunteer programs to drive and cultivate more employees to participate in volunteer services and adopted various means to strengthen community openness and exchanges and stimulate community vitality.

FUTURE PROSPECTS

Looking ahead to 2024, the global political and economic situation will become more complicated due to the uncertainties brought by macro systemic risks, coupled with more uncertainties brought by large-scale elections to be taken place around the world. The growth of the global economy remains at a slow recovery pace. If there are more "black swan" events such as the spillover and spread of Palestinian-Israeli conflict, it may trigger another strong and unpredictable movement in inflation and commodities, which will disrupt the economic growth of countries. The global industrial chain and supply chain showed a fragmented and regionalized development trend. The international maritime industry was deeply affected by the reshaping of the global industrial chain and supply chain. The interruptions in global trade and freight movements will increase the uncertainties in maritime transport and supply chain. Although the continuous accumulation of risks in the global financial market has brought a series of risks and challenges to the development of the global economy, the recovery of the service industry and the declining core inflation will provide favorable support for economic growth in 2024. IMF expects the global economic growth of 3.1% in 2024, with developed economies, emerging and developing economies increasing by 1.5% and 4.1%, respectively.

In 2024, in order for China to promote economic recovery, it is necessary for China to overcome certain difficulties and challenges, which mainly include insufficient effective demand, overcapacity in some industries, weak social expectations, and a number of hidden risks. Bottlenecks in the domestic circulation and rising complexity, severity and uncertainty of the external environment, have put pressure on the economic growth. However, relying on the production advantages of a mature and complete industrial chain supply chain and the advantages of a large-scale market, China's imports and exports still maintain important positions in the international market. In coordination with the synergistic development of the digital economy and the green economy, it lays a good foundation for accelerating the construction of a modern industrial system. In the next stage, China will continue to speed up the construction of a new development pattern with the domestic circulation as the main body and the domestic-international dual circulation reinforcing each other. The open and huge Chinese market will continue to play a supporting role for the economy through imports and exports.

Due to factors such as macro-economy, supply-demand imbalance, geopolitics, situation in the Red Sea region and the extreme weather, as well as changes by the factors of shipping capacity control, cost reduction measures and alliance cooperation of shipping companies, the container shipping market will witness the "short peak and long tail" cycle feature in 2024 and will continue to grow at a low level. The imbalance between supply and demand in the container shipping market is expected to continue to weaken the freight rate and the market will enter a new normal of complex, changing and low-speed growth. As the main carrier and node of international trade flows, the ports occupy an important position in the global trade and transportation systems. The global port operators will seize the opportunities of the times, strive to improve the quality of port services, continuously expand the coverage of the port hinterland, strengthen the synergy with other logistics participants, with a view to provide a better quality and comprehensive logistics solutions for customers. The competition for cargo sources among international ports will continue, bringing new opportunities and challenges to the port industry.

Based on the above analysis and judgment, the Group will continue to capitalize on the general principle of seeking progress while maintaining stability, follow the general working direction of "seeking progress while maintaining stability, stable yet progressive growth, and breakthrough after revitalization", take the development measures of "endogenous growth", "innovation and upgrade" and "global layout", and focus on "improving the core competitiveness and enhancing core functions of the enterprise", in order to create a lean operation and management system for high-quality development, promote business models and technological empowerment innovation and continuously improve the global network layout. The Group will continue to promote comprehensive and high-quality development so as to accelerate the building of a world-leading enterprise.

Adhere to strategic leadership and get on the construction of a strong port. The Group will continue to promote the implementation of the six major strategies namely "domestic homebase port strategy", "overseas strategy", "innovation strategy", "digitalization strategy", "lean operation strategy" and "low carbon strategy". The West Shenzhen homebase port will get on the construction of a strong port, optimize the collection and distribution infrastructure, expand the supporting resources outside the port, strengthen regional collaborative development, and implement green and low-carbon development, so as to further enhance the competitiveness of the homebase port. With an aim to build a world leading benchmark enterprise, CICT actively responds to competition from surrounding areas, gives full play to its advantages, consolidates and improves the main business capacity of container ports, and accelerates the building of the South Asia Commercial and Logistics Hub, in order to extend the comprehensive port logistics business. HIPG focuses on oil and gas, RORO, bulk cargo, maritime services, regional container transshipment and park development. It aims to speed up the construction of "six centers" of HIPG.

Intensify lean management and facilitate endogenous growth. Based on the concept of lean management, the Group will adhere to the principle of driving internal development and reducing costs and increasing efficiency. First, the Group will improve its financial management capabilities to build a world-class financial management system, establish a lean operation team, and explore new measures for cost reduction. Second, the Group will improve its capital operation capability to optimize the action plan for quality and efficiency improvement, and to continuously improve the efficiency and effectiveness of capital operation, as well as the cash return of investment projects. Third, the Group will improve its operation and management capabilities and take measures to establish a professional and efficient strong operation and management headquarters, while fully implementing lean management; strengthening cost control, cost reduction and efficiency improvement; deepening reform; and reinforcing the headquarters control. Fourthly, the Group will improve its asset management capabilities and further enrich the project life cycle management system, and gradually form the terminal operation capability, cost control and operation management model.

Insist on innovation-driven development and empower industrial upgrading. The Group will adhere to innovation-driven development and technology-enabled industrial transformation and upgrading. Focusing on "CMCore", the Group will forge its three industry-leading products, including CTOS a bulk cargo terminal operation system "BTOS", and a park intelligent management system "LPOS", striving to build up the intelligent production and operation features within the terminals. Relying on the key project of the Ministry of Transport, the CTOS successfully completed the new architecture design and achieved milestone results. "CM ePort" will explore the creation of an open platform for smart ports by improving the information service system of the port area and innovating the service model through "port + Internet". SMP will combine data governance, management downward and artificial intelligence large model research and application to improve the intelligent empowerment ability of business and management.

Explore global presence and open up development space. The Group will further improve its global presence and resource integration capabilities, and steadily open up new space for development. First, the Group will assist in promoting domestic port integration and achieving incremental growth. Second, the Group will make new achievements in the strategy of "deepening the commitment in Hong Kong". The Group will advance the implementation plan for business model innovation and transformation and upgrading of units such as CMCS and CMBL, and continue to pay attention and follow up on cooperation opportunities for port and logistics related assets in the Hong Kong region. Third, we will focus on "cultivation in Southeast Asia" and achieving new breakthroughs. The Group will drive the completion of the NPH project in Indonesia and follow up on investment opportunities for port projects in the Southeast Asia region. Fourth, the Group will focus on "exploration in Middle East and Latin America" and achieving new progress. On the basis of market changes, the Group will update the regional investment strategy and continue to follow up on potential project information.

Continuously intensify reform and promote high-quality development. Taking advantage of the intensifying reform of state-owned enterprises, the Group will process the reform of its systems and mechanism, and facilitate the high-quality development of the company. First, the Group will continue to improve the high-quality development level of its listed companies. Second, the Group will deepen the reform of talent and mechanism, improve the talent introduction mechanism, and strengthen the employer's brand building. Third, the Group will deeply implement the ESG concept, continuously improve the ESG management system, make good disclosure of ESG information, enhance investor communication and build the C-Blue public welfare brand, while constantly promoting the green and low-carbon development of the Group.

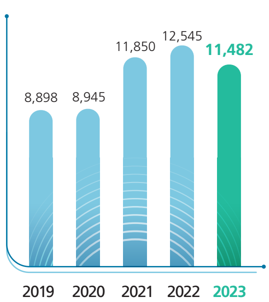
Looking ahead, based on the new development stage, the Group will comprehensively and accurately implement the new development concept with high-quality development as its aim. Through the six major strategies, the Group will expedite technology leadership and innovation-driven development, achieve global layout and balanced development, provide first-class professional solutions for comprehensive port services, and strive to become a "world's leading comprehensive port service provider with high quality". The Group will seek more returns for shareholders, support the local economic and industrial development and make contribution to the promising development of the port industry.

FIVE-YEAR FINANCIAL SUMMARY

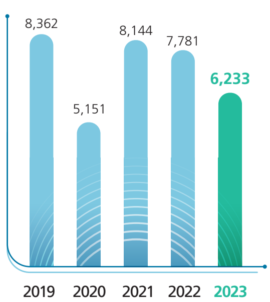
Five-year Financial Summary

	2023 HK$'million	2022 HK$'million	2021 HK$'million	2020 HK$'million	2019 HK$'million
RESULTS					
Revenue	**11,482**	12,545	11,850	8,945	8,898
Profit before taxation	**8,559**	10,075	10,626	7,158	11,756
Profit for the year	**7,385**	9,029	9,385	6,081	9,238
Non-controlling interests	**961**	1,019	1,014	878	876
Profit attributable to equity holders of the Company	**6,233**	7,781	8,144	5,151	8,362
ASSETS AND LIABILITIES					
Non-current assets	**154,603**	157,626	162,974	152,608	136,572
Net current (liabilities)/assets	**(2,658)**	(6,473)	(5,473)	1,864	(3,012)
Total assets less current liabilities	**151,945**	151,153	157,501	154,472	133,560
Non-current liabilities	**31,100**	28,577	32,703	40,837	39,426
Non-controlling interests	**17,168**	19,361	20,295	19,509	14,351
Capital and reserves attributable to equity holders of the Company	**102,155**	96,969	98,262	87,889	79,783
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**153.22**	201.52	219.87	146.25	247.84
Dividend per share (HK cents)	**70.00**	82.00	94.00	69.00	80.00

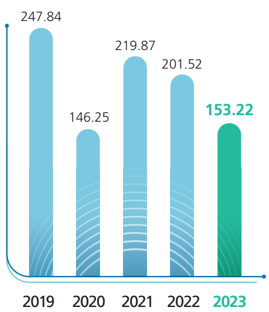
Revenue
HK$' million



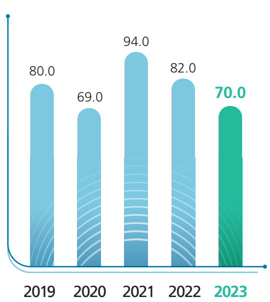
Profit attributable to equity holders of the Company
HK$' million



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 Annual Report for the year ended 31 December 2023.

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

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 ("**Code Provision**") set out in Part 2 of the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 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 2023, except the following:-

In respect of Code Provision F.2.2 under the Corporate Governance Code, Mr. Deng Renjie, the then chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2023 due to business trip. Mr. Yim Kong, the Non-executive Director of the Company and the Vice Chairman of the Board, took chair of the annual general meeting according to the Company's articles of association (the "**Articles of Association**").

In order to ensure effective communication with the shareholders, the chairmen of the Audit Committee, Nomination Committee and Remuneration 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 2023 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, balancing the needs of customers, employees, society and the environment, 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)
Feng Boming (Chairman) (appointed on 24 July 2023)	Male	Chinese	54	0.4
Yim Kong (Vice Chairman)	Male	Chinese	51	2.2
Yang Guolin	Male	Chinese	48	1.5
Deng Renjie (resigned on 24 July 2023)	Male	Chinese	54	3.4

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Xu Song (Vice Chairman and Chief Executive Officer) *1	Male	Chinese	52	1.8
Lu Yongxin (Managing Director) *2	Male	Chinese	54	1.3
Tu Xiaoping (Chief Financial Officer)	Male	Chinese	58	1.3
Wang Xiufeng (resigned on 24 July 2023)	Male	Chinese	53	1.9

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Chan Hiu Fung Nicholas	Male	Chinese	50	1.3
Chan Yuen Sau Kelly (appointed on 21 March 2023)	Female	Chinese	53	1.0
Li Ka Fai David	Male	Chinese	69	16.8
Wong Chi Wing (appointed on 24 July 2023)	Male	Chinese	60	0.7
Wong Pui Wah	Female	Chinese	48	1.6
Bong Shu Ying Francis (retired on 2 June 2023)	Male	Chinese	82	12.9
Kut Ying Hay (resigned on 21 March 2023)	Male	Chinese	69	30.8

*1 Mr. Xu Song has been redesignated from the Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 24 July 2023.

*2 Mr. Lu Yongxin has been appointed as the Managing Director of the Company on 24 July 2023.

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, 12 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 2023	Attendance rate
Feng Boming *1	4/4	100%
Yim Kong	12/12	100%
Yang Guolin	11/12	91.67%
Xu Song *2	11/12	91.67%
Lu Yongxin *3	12/12	100%
Tu Xiaoping	11/12	91.67%
Chan Hiu Fung Nicholas	12/12	100%
Chan Yuen Sau Kelly *4	11/11	100%
Li Ka Fai David	12/12	100%
Wong Chi Wing *5	4/4	100%
Wong Pui Wah	12/12	100%
Deng Renjie *6	7/7	100%
Wang Xiufeng *7	7/7	100%
Bong Shu Ying Francis *8	7/7	100%
Kut Ying Hay *9	N/A	N/A

*1 Mr. Feng Boming has been appointed as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023.

*2 Mr. Xu Song has been redesignated from the Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 24 July 2023.

*3 Mr. Lu Yongxin has been appointed as the Managing Director of the Company on 24 July 2023.

*4 Ms. Chan Yuen Sau Kelly has been appointed as an Independent Non-executive Director of the Company on 21 March 2023.

*5 Mr. Wong Chi Wing has been appointed as an Independent Non-executive Director of the Company on 24 July 2023.

*6 Mr. Deng Renjie resigned as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023.

*7 Mr. Wang Xiufeng resigned as the Vice Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company on 24 July 2023.

*8 Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company on 2 June 2023.

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

There was no financial, business, family or other material/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 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 Directors	Type of training
Feng Boming *1	A,B,C
Yim Kong	A,B,C
Yang Guolin	A,B,C
Xu Song *2	A,B,C
Lu Yongxin *3	A,B,C
Tu Xiaoping	A,B,C
Chan Hiu Fung Nicholas	A,C
Chan Yuen Sau Kelly *4	A,C
Li Ka Fai David	A,C
Wong Chi Wing *5	A,C
Wong Pui Wah	A,C
Deng Renjie *6	N/A
Wang Xiufeng *7	N/A
Bong Shu Ying Francis *8	N/A
Kut Ying Hay *9	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. Feng Boming has been appointed as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023.

*2 Mr. Xu Song has been redesignated from the Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 24 July 2023.

*3 Mr. Lu Yongxin has been appointed as the Managing Director of the Company on 24 July 2023.

*4 Ms. Chan Yuen Sau Kelly has been appointed as an Independent Non-executive Director of the Company on 21 March 2023.

*5 Mr. Wong Chi Wing has been appointed as an Independent Non-executive Director of the Company on 24 July 2023.

*6 Mr. Deng Renjie resigned as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023.

*7 Mr. Wang Xiufeng resigned as the Vice Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company on 24 July 2023.

*8 Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company on 2 June 2023.

*9 Mr. Kut Ying Hay resigned as an 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 C3 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 all of them have complied with the required standard set out in the Model Code during the year.

CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

The Chairman of the Board is responsible for the leadership and effective running of the Board and the Chief Executive Officer is delegated with the authority to manage the business of the Group in all aspects effectively, and delegated powers to the Managing Director to manage the operation of the Group. The Chairman of the Board is Mr. Feng Boming while the Chief Executive Officer and the Managing Director of the Company are Mr. Xu Song and Mr. Lu Yongxin respectively.

During the year, Mr. Deng Renjie resigned as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023 and Mr. Feng Boming was appointed as the Chairman of the Board and a Non-executive Director of the Company on the same date. Mr. Xu Song was the Managing Director of the Company until 24 July 2023 when he was redesignated as the Vice Chairman of the Board and the Chief Executive Officer of the Company and Mr. Lu Yongxin was appointed as the Managing Director of the Company on the same date.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 89 of 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 21 March 2023, the Board resolved to appoint Ms. Chan Yuen Sau Kelly as an Independent Non-executive Director of the Company; and

(ii) At a Board meeting held on 24 July 2023, the Board resolved to appoint Mr. Feng Boming as the Chairman of the Board and a Non-executive Director of the Company and Mr. Wong Chi Wing as an Independent Non-executive Director of the Company.

In respect of the appointment of Mr. Feng Boming, Ms. Chan Yuen Sau Kelly and Mr. Wong Chi Wing, the Board has taken into consideration, inter alia, their qualifications, 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. Two meetings were held in 2023. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2023	Attendance rate
Chan Yuen Sau Kelly*1 (Chairman of the Nomination Committee) (appointed on 21 March 2023)	1/1	100%
Xu Song (appointed on 24 July 2023)	N/A	N/A
Chan Hiu Fung Nicholas	2/2	100%
Wong Chi Wing*2 (appointed on 24 July 2023)	N/A	N/A
Wong Pui Wah	2/2	100%
Wang Xiufeng*3 (ceased on 24 July 2023)	1/1	100%
Bong Shu Ying Francis*4 (ceased on 2 June 2023)	1/1	100%
Kut Ying Hay*5 (ex-Chairman of the Nomination Committee) (ceased on 21 March 2023)	1/1	100%

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

*2 Mr. Wong Chi Wing was appointed as an Independent Non-executive Director of the Company and a member of the Nomination Committee on 24 July 2023.

*3 Mr. Wang Xiufeng resigned as an Executive Director of the Company and ceased to be a member of the Nomination Committee on 24 July 2023.

*4 Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company and ceased to be a member of the Nomination Committee on 2 June 2023.

*5 Mr. Kut Ying Hay was the chairman of the Nomination Committee from 1 January 2023 to 20 March 2023. He resigned as an Independent Non-executive Director of the Company and ceased to be 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 Ms. Chan Yuen Sau Kelly as an Independent Non-executive Director of the Company on 21 March 2023;

(ii) Appointment of Mr. Feng Boming as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023;

(iii) Appointment of Mr. Wong Chi Wing as an Independent Non-executive Director of the Company on 24 July 2023;

(iv) Redesignation of Mr. Xu Song from the Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 24 July 2023; and

(v) Appointment of Mr. Lu Yongxin as the Managing Director of the Company on 24 July 2023.

Board Diversity

A board diversity policy of the Company (the "**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. Xu Song, Mr. Yang Guolin, Mr. Chan Hiu Fung Nicholas and Ms. Wong Pui Wah shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Feng Boming and Mr. Wong Chi Wing 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 eleven 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 one female Director 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 2023, the Group employed 7,749 number of employees, including 1,251 female and 6,498 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 2023. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2023	Attendance rate
Chan Hiu Fung Nicholas (Chairman of the Remuneration Committee)	1/1	100%
Tu Xiaoping*1 (appointed on 24 July 2023)	0/1	0%
Chan Yuen Sau Kelly*2 (appointed on 21 March 2023)	1/1	100%
Li Ka Fai David	1/1	100%
Wong Chi Wing*3 (appointed on 24 July 2023)	1/1	100%
Xu Song (ceased on 24 July 2023)	N/A	N/A
Bong Shu YIng Francis*4 (ceased on 2 June 2023)	N/A	N/A
Kut Ying Hay*5 (ceased on 21 March 2023)	N/A	N/A

*1 Mr. Tu Xiaoping was appointed as a member of the Remuneration Committee on 24 July 2023.

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

*3. Mr. Wong Chi Wing was appointed as an Independent Non-executive Director of the Company and a member of the Remuneration Committee on 24 July 2023.

*4. Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company and ceased to be a member of the Remuneration Committee on 2 June 2023.

*5. Mr. Kut Ying Hay resigned as an Independent Non-executive Director of the Company and ceased to be a member of the Remuneration Committee 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 Directors;

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 2023 is set out in note 10 to the consolidated financial statements.

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. One meeting was held in 2023. The attendance of each member is set out as follows:

Name of members	Number of meeting attended in 2023	Attendance rate
Feng Boming*[1] (Chairman of the ESG Committee) (appointed on 24 July 2023)	N/A	N/A
Xu Song	1/1	100%
Yim Kong	1/1	100%
Lu Yongxin*[2] (appointed on 24 July 2023)	N/A	N/A
Wong Pui Wah	1/1	100%
Deng Renjie*[3] (ex-Chairman of the ESG Committee) (ceased on 24 July 2023)	1/1	100%
Wang Xiufeng*[4] (ceased on 24 July 2023)	1/1	100%

*1. Mr. Feng Boming was appointed as the Chairman of the Board and a Non-executive Director of the Company and the Chairman of the ESG Committee on 24 July 2023.

*2. Mr. Lu Yongxin was appointed as a member of the ESG Committee on 24 July 2023.

*3. Mr. Deng Renjie was resigned as the Chairman of the Board and a Non-executive Director of the Company and ceased to be the Chairman of the ESG Committee on 24 July 2023.

*4. Mr. Wang Xiufeng resigned as the Vice Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company and ceased to be a member of the ESG Committee on 24 July 2023.

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 C2 to the Listing Rules; and

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

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. Two meetings were held in 2023. 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 members	Number of meetings attended in 2023	Attendance rate
Li Ka Fai David (Chairman of the Audit Committee)	2/2	100%
Chan Hiu Fung Nicholas	2/2	100%
Chan Yuen Sau Kelly*[1] (appointed on 21 March 2023)	2/2	100%
Wong Chi Wing*[2] (appointed on 24 July 2023)	1/1	100%
Wong Pui Wah	2/2	100%
Bong Shu Ying Francis*[3] (ceased on 2 June 2023)	1/1	100%
Kut Ying Hay*[4] (ceased on 21 March 2023)	N/A	N/A

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

*2. Mr. Wong Chi Wing was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee on 24 July 2023.

*3. Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company and ceased to be a member of the Audit Committee on 2 June 2023.

*4. Mr. Kut Ying Hay resigned as an Independent Non-executive Director of the Company and ceased to be a member of the Audit Committee on 21 March 2023.

During the meetings held in 2023, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2022 and for the six months ended 30 June 2023;

(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 2022;

(v) reviewed and recommended for approval by the Board the 2023 audit scope and fees; and

(vi) reviewed the connected transactions entered into by the Group during 2022.

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 C1 to the Listing Rules; and

23. 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 2023, 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	10
Non-audit services	
(Tax, compliance and advisory services)	1
Total	11

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

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

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 respective Board 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.

At the 2023 annual general meeting held on 2 June 2023 (the "**AGM**"), the Chairman of the AGM demanded that all resolutions proposed to be voted by poll. The procedures for conducting a poll were explained at the AGM. 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 2023 is set out as follows:

Name of Directors	Number of general meeting attended in 2023
Feng Boming *1	N/A
Xu Song *2	1/1
Yim Kong	1/1
Lu Yongxin *3	0/1
Tu Xiaoping	0/1
Yang Guolin	0/1
Chan Hiu Fung Nicholas	1/1
Chan Yuen Sau Kelly *4	1/1
Li Ka Fai David	1/1
Wong Chi Wing *5	N/A
Wong Pui Wah	1/1
Deng Renjie *6	0/1
Wang Xiufeng *7	0/1
Bong Shu Ying Francis *8	0/1
Kut Ying Hay *9	N/A

*1 Mr. Feng Boming has been appointed as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023.

*2 Mr. Xu Song has been redesignated from the Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company on 24 July 2023.

*3 Mr. Lu Yongxin has been appointed as the Managing Director of the Company on 24 July 2023.

*4 Ms. Chan Yuen Sau Kelly has been appointed as an Independent Non-executive Director of the Company on 21 March 2023.

*5 Mr. Wong Chi Wing has been appointed as an Independent Non-executive Director of the Company on 24 July 2023.

*6 Mr. Deng Renjie resigned as the Chairman of the Board and a Non-executive Director of the Company on 24 July 2023.

*7 Mr. Wang Xiufeng resigned as the Vice Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company on 24 July 2023.

*8 Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company on 2 June 2023.

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

The 2024 annual general meeting of the Company will be held at 9:30 a.m. on Monday, 27 May 2024 at Atrium, Level 39, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong.

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 general 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.

COMMUNICATION WITH INVESTORS

The Company considers that a key element of effective communication with investors is the prompt and timely dissemination of information in relation to the Group. In addition, the management personnel responsible for investor relations of the Company hold regular meetings and roadshow with equity research analysts, fund managers and institutional investors so as to update the latest operational situation of the Company. The investor activities conducted by the Group during the year is set out on page 25 of the Annual Report.

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

DIRECTORS AND SENIOR MANAGEMENT

Directors and Senior Management

DIRECTORS

Mr. Feng Boming

aged 54, an economist, holds a Master of Business Administration degree from The University of Hong Kong. He currently serves as the Chairman of the Board of Directors of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He also serves as the Deputy General Manager of China Merchants Group Limited, the Chairman of Liaoning Port Group Limited, the Chairman of China Merchants Energy Shipping Co., Ltd., shares of which are listed on the Shanghai Stock Exchange, and the Chairman of Sinotrans & CSC Holdings Co., Ltd.. He previously held various positions including the Manager of Commercial Section of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the General Manager of COSCO Container Hong Kong Mercury Co., Ltd., the General Manager of Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., the General Manager of COSCO International Freight (Wuhan) Co., Ltd. and COSCO Logistics (Wuhan) Co., Ltd., the Supervisor of Strategic Management Implementation Office of China Ocean Shipping (Group) Company, the General Manager of Strategic and Corporate Management Department of China COSCO SHIPPING Corporation Limited, an Executive Director and the Chairman of the Board of Directors of COSCO SHIPPING Ports Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited ("**HKSE**"), an Executive Director of each of COSCO SHIPPING Holdings Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE and Orient Overseas (International) Limited, shares of which are listed on the HKSE, a Non-executive Director of each of COSCO SHIPPING Energy Transportation Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE, COSCO SHIPPING Development Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE, COSCO SHIPPING International (Hong Kong) Co., Ltd., shares of which are listed on the HKSE, Qingdao Port International Co., Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE and Piraeus Port Authority S.A., shares of which are listed on the Athens Stock Exchange, a Director of each of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Investment Holdings Co., Limited, Hainan Harbour & Shipping Holding Co., Ltd. and COSCO SHIPPING Bulk Co., Ltd., and the Chairman and a Non-executive Director of Sinotrans Limited, shares of which are listed on the Shanghai Stock Exchange and the HKSE.

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. Xu Song

aged 52, is the Vice Chairman of the Board of Directors, the Director and Chief Executive Officer of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He also serves as 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 and a Non-executive Director of Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited, shares of which are listed on the Shanghai Stock Exchange and the HKSE), a Director, the Deputy General Manager and the General Manager of Dalian Port Corporation Limited, the Deputy General Manager of Liaoning Port Group Co., Ltd., the Deputy General Manager, the General Manager and the Chief Operating Officer of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, and other positions.

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 each of the Nomination Committee and the ESG Committee.

Mr. Yim Kong

aged 51, 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, the 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, the Deputy General Manager and the Managing Director of the Company as well as the Commercial Director, the Deputy General Manager, the Standing Deputy General Manager and the 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 a Functional Constituency — Commercial (Third) member of the Legislative Council of the Hong Kong Special Administrative Region, the Deputy Chairman of the Panel on Economic Development of the Legislative Council of the Hong Kong Special Administrative Region, a member of the 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. Lu Yongxin

aged 54, joined the Company in 2007 and currently serves as the Director, the Chief Operating Officer and the 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 various subsidiaries of the Company. Having graduated from Dalian University of Technology with a Bachelor's Degree in English for science and technology, he obtained a Master's degree in Project Management from the Curtin University of Technology in Australia. Mr. Lu has extensive managerial experience in the international portfolio expansion activities of port companies. Prior to joining the Company, he served as the Assistant General Manager of Zhen Hua Engineering Co., Ltd. and the Deputy General Manager (in charge) of the General Manager's Office at China Harbor Engineering Co. Ltd.. Before his current role in the Company, he was the Deputy General Manager of the Research & Development Division, the General Manager of the International Division, the Assistant General Manager and the Deputy General Manager of the Company and the Deputy General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. Between May 2014 and January 2016, Mr. Lu was seconded to France as the Chief Financial Officer and the Senior Vice President of Terminal Link SAS, an associate of the Company.

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

Mr. Tu Xiaoping

aged 58, joined the Company in 2021 and currently serves as the Chief Financial Officer of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, and also serves as a director of various subsidiaries of the Company. He is a Senior Accountant, obtained a Bachelor's degree in financial accounting of water economics from the Shanghai Maritime University, and subsequently received a Master's degree in administrative 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., the Vice General Manager and the Chief Finance Officer of China Merchants Logistics Group Co., Ltd., the General Manager of the Finance Department of China Merchants Shekou Industrial Zone Co., Ltd. and the Vice General Manager and the Chief Finance Officer of Shenzhen China Merchants Venture Co. Ltd..

He is currently an Executive Director and the Chief Financial Officer of the Company. He is also a member of the Remuneration Committee.

Mr. Yang Guolin

aged 48, is currently the Chairman of China Nanshan Development (Group) Incorporation, the Chairman of Shenzhen New Nanshan Holding (Group) Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange and a director of various subsidiaries of the above companies and 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 the 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 the Human Resource Department, and the Executive Deputy Head (Ministerial) of China Merchants Group Limited.

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

Mr. Chan Hiu Fung Nicholas

aged 50, 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.

Since 1 April 2024, Mr. Chan was appointed as the director to the Board of Directors of the Hong Kong Cyberport Management Company Limited, the Chairman of the Knowledge Transfer Committee, a member of the Executive Committee of the Council and a member of the Audit and Risk Management Committee of The Chinese University of Hong Kong respectively, each for a period of two years. Since 16 June 2023, Mr. Chan was appointed as the Chairman of the Advisory Committee Member of the Innovation and Technology Venture Fund for a period of two years. He was also appointed as a member of the Social Development Expert Group of the Chief Executive's Policy Unit Expert Group for a period of one year from 30 May 2023. Mr. Chan is appointed to serve as a member of the 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 Q P 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, a member of each of the Audit Committee and the Nomination Committee.

Ms. Chan Yuen Sau Kelly

aged 53, 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, an Independent Non-executive Director of Morimatsu International Holdings Company Limited, the shares of which are listed on the HKSE and an Independent Non-executive Director of Best Mart 360 Holdings Limited, the shares of which are listed on the HKSE.

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 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. Ms. Chan has also served at branches of Deloitte Touche Tohmatsu in Hong Kong and the United States.

Ms. Chan is currently the Chairperson of the Employees' Compensation Insurance Levies Management Board. She also serves on the boards of the Air Transport Licensing Authority, Hong Kong Repertory Theatre and United College Trustees of the Chinese University of Hong Kong. Ms. Chan was previously a member of the Council of the Chinese University of Hong Kong, 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 each of the Audit Committee and the Remuneration Committee.

Mr. Li Ka Fai David

aged 69, MH, is a fellow of The Association of Chartered Certified Accountants, UK. He is an Independent Non-executive Director and the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of China-Hongkong Photo Products Holdings Limited, an Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of Cosmopolitan International Holdings Limited, an Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of Goldlion Holdings Limited, an Independent Non-executive Director and the Chairman of the Audit Committee of Shanghai Industrial Urban Development Group Limited, an Independent Non-executive Director, a member of the Audit Committee and the Remuneration Committee of Continental Aerospace Technologies Holding Limited (formerly known as AVIC International Holding (HK) Limited), and an Independent Non-executive Director and the Chairman of the 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.

Mr. Wong Chi Wing

aged 60, is currently serving as a Deputy President and the Chairman of New Economy Committee of The Hong Kong Independent Non-Executive Director Association Limited since October 2019. Mr. Wong is a fellow member of The Hong Kong Institution of Certified Public Accountants since 2000. Mr. Wong obtained a Bachelor's Degree in Science from The Chinese University of Hong Kong in December 1986, a Master's Degree in Business Administration from The City University of Hong Kong in November 1995, a Master's Degree of Science in Electronic Commerce from The City University of Hong Kong in November 2003 and a Doctorate Degree in Business Administration from The City University of Hong Kong in February 2011.

Mr. Wong served as an Assistant Vice President and a Vice President and various positions at PCCW Solutions (formerly known as Unihub Limited). He has also served in Accenture Consulting for Greater China as a Managing Director, Big Data Elite Asia Limited and GCE Consulting Limited as the Managing Partner, and Autotoll Limited as an Independent Non-executive Director.

Mr. Wong was an Independent Non-executive Director of Veson Holdings Limited (formerly known as SCUD Group Limited), Cirtek Holdings Limited and Landsea Green Life Service Company Limited. Shares of the above three companies are listed on the HKSE.

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

Ms. Wong Pui Wah

aged 48, is the Chief Financial Officer and the 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), shares of which are 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 each of the Audit Committee, the Nomination Committee and the ESG Committee.

SENIOR MANAGEMENT

Mr. Li Yubin

aged 52, joined the Company in 2007 and currently serves as the Deputy General Manager of the Company and the Deputy General Manager and the Board Secretary of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, and also serves as 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 the Accredited Deputy General Manager of the Road & Bridge Project at China Harbor Engineering Co.'s Bangladeshi Office and the Project Director at the International Division of China Harbor Engineering Co. Ltd. After joining the Company, he was the Assistant General Manager of the Research and Development Department, International Division, and the Commercial and Strategic Planning Department respectively, the General Manager of the Strategy and Operations Department, the Deputy Chief Economist of the Company, and the Chairman and the General Manager of China Merchants Bonded Logistics Co., Ltd., the Chief Representative of China Merchants Group in Djibouti, the Chief Digital Officer of China Merchants Port Group Co., Ltd. and the Deputy Chairman of Tianjin Haitian Bonded Logistics Company Limited.

Mr. Li Wenbo

aged 44, currently serves as the Deputy General Manager of the Company and the Deputy General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He is an Intermediate Economist and Engineer, graduated from the School of Mechanical and Automotive Engineering, Hefei University of Technology, with a Bachelor's Degree in mechanical design and manufacturing. He has served as the Assistant General Manager and Assistant Minister of the Human Resources Department of Sinotrans Group Co., Ltd., the Deputy Director, the Director of the Personnel Division, the Assistant Minister and concurrently the Director of the Personnel and Cadre Supervision Division, the Assistant Minister and concurrently Director of the Cadre Division, the Deputy minister and concurrently the Director of the Cadre Division of the Human Resources Department of China Merchants 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 2023. All references in this section "Report of the Directors" to other sections in the 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 40 to 42 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$900 million, which was paid on 22 November 2023.

The Directors have resolved to recommend the payment of a final dividend of 48 HK cents per share, totalling HK$2,015 million for the year ended 31 December 2023 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 7 June 2024 (2022: scrip dividend of 60 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 5 July 2024. The final dividend, if approved, is to be payable in cash in Hong Kong Dollars.

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 10 and pages 11 to 29 of the 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 11 to 29 of the Annual Report while the financial risk management of the Group can be found in note 35 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 the 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 11 to 29 and pages 32 to 49 of the 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 contains discussion and review on the environmental policies and performance of the Group will be separately published on the same day of the publication of the 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 195 to 198 of the Annual Report.

CHARITABLE DONATIONS

Donation of HK$10 million was made by the Group during the year (2022: HK$20 million).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 29 and 43 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 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2023 amounted to HK$3,234 million (2022: HK$3,480 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 30 to 31 of the Annual Report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed in the "Management Discussion and Analysis " section on pages 11 to 29 of the Annual Report, 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 2023 and up to the date of this report were:

Non-executive Directors:

Mr. Feng Boming *(Chairman)*
(appointed as Chairman of the Board and Non-executive Director on 24 July 2023)
Mr. Yim Kong *(Vice Chairman)*
Mr. Yang Guolin
Mr. Deng Renjie
(resigned on 24 July 2023)

Executive Directors:

Mr. Xu Song *(Vice Chairman and Chief Executive Officer)*
(redesignated as Vice Chairman of the Board and the Chief Executive Officer on 24 July 2023)
Mr. Lu Yongxin *(Managing Director)*
(appointed as Managing Director on 24 July 2023)
Mr. Tu Xiaoping *(Chief Financial Officer)*
Mr. Wang Xiufeng
(resigned on 24 July 2023)

Independent Non-executive Directors:

Mr. Chan Hiu Fung Nicholas
Ms. Chan Yuen Sau Kelly
(appointed on 21 March 2023)
Mr. Li Ka Fai David
Mr. Wong Chi Wing
(appointed on 24 July 2023)
Ms. Wong Pui Wah
Mr. Bong Shu Ying Francis
(retired on 2 June 2023)
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 50 to 57 of the Annual Report.

Mr. Xu Song has been redesignated from Managing Director of the Company to the Vice Chairman of the Board and the Chief Executive Officer of the Company with effect from 24 July 2023 due to a reallocation of responsibilities.

Mr. Deng Renjie resigned as the Chairman of the Board and a Non-executive Director of the Company with effect from 24 July 2023 due to change of work arrangement.

Mr. Wang Xiufeng resigned as the Vice Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company with effect from 24 July 2023 due to change of work arrangement.

Mr. Bong Shu Ying Francis retired as an Independent Non-executive Director of the Company with effect from 2 June 2023 as he wishes to devote more time to his other personal engagements and commitments.

Mr. Kut Ying Hay resigned as an 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. Xu Song, Mr. Yang Guolin, Mr. Chan Hiu Fung Nicholas and Ms. Wong Pui Wah 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. Feng Boming and Mr. Wong Chi Wing 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 22 June 2022;

One Independent Non-executive Director's appointment commenced on 1 June 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 appointments commenced on 8 December 2022;

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

One Non-executive Director and one Independent Non-executive Director's appointments commenced on 24 July 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 2023, 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 2023
Mr. Yim Kong	Beneficial owner	Personal interest	7,227	—	0.0002%
Mr. Yang Guolin	Beneficial owner	Personal interest	212,415	—	0.0051%
Mr. Lu Yongxin	Beneficial owner	Personal interest	13,896	—	0.0003%

Shares and Share Options in the Company's associated 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 2023
Mr. Xu Song	Beneficial owner	Personal Interest	—	240,000[(1)]	120,000[(1)]	120,000	0.0048%
Mr. Yim Kong	Beneficial owner	Personal interest	—	102,000[(1)]	51,000[(1)]	51,000	0.0020%
Mr. Lu Yongxin	Beneficial owner	Personal Interest	—	144,000[(1)]	72,000[(1)]	72,000	0.0029%

Note:

(1) As at 31 December 2023, 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 120,000 share options granted to Mr. Xu Song, the 51,000 share options granted to Mr. Yim Kong and the 72,000 share options granted to Mr. Lu Yongxin 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 2023, 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 2023 and up to the date of this report are Mr. Xu Song, Mr. Lu Yongxin, Mr. Tu Xiaoping 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 pages 119 to 121 of the Annual Report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, 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	3,012,645,132[(1,2,3,4)]	71.76%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,986,041,132[(2)]	71.13%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,986,041,132[(2)]	71.13%
Broadford Global Limited	Interest of Controlled Corporation	2,068,936,146[(2)]	49.28%
Rainbow Reflection Limited	Interest of Controlled Corporation	2,068,936,146[(2)]	49.28%
China Merchants Port Investment Development Company Limited	Interest of Controlled Corporation	2,068,936,146[(2)]	49.28%
CMPG	Beneficial Owner and Interest of Controlled Corporation	2,068,936,146[(2)]	49.28%
Port Development (Hongkong) Company Limited	Beneficial Owner	2,053,155,563	48.91%
China Merchants Union (BVI) Limited	Beneficial Owner	917,104,986[(2)]	21.85%
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)]	0.56%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000[(4)]	0.56%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000[(4)]	0.56%
China Merchants Investment Development (Hong Kong) Limited	Beneficial Owner	23,604,000[(4)]	0.56%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878[(5)]	19.09%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878[(5)]	19.09%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878[(5)]	19.09%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878[(5)]	19.09%

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 3,012,645,132 shares, which represents the aggregate of 2,986,041,132 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 2,986,041,132 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 917,104,986 shares beneficially held by CMU and 2,068,936,146 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 2,068,936,146 shares. Such shares represented the aggregate of 2,053,155,563 shares beneficially owned by Port Development and 15,780,583 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 the 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 2023, 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 6 April 2023. On 6 April 2023, Colombo International Container Terminals Limited ("**CICT**") (a 85%-owned subsidiary of the Company) entered into a structured lease agreement as lessee with Ocean Driller III Limited ("**Ocean Driller III**") as lessor (the "**Structured Lease Agreement**"). Pursuant to the Structured Lease Agreement, CICT agreed to transfer all legal and beneficial right, title and interest in and to the equipment of (i) ZPMC 3Quay Crane (No. 1, 2 & 3); (ii) ZPMC 3Quay Crane (No. 4, 5 & 6); (iii) ZPMC 3Quay Crane (No. 7, 8 & 9); and (iv) ZPMC 3Quay Crane (No. 10, 11 & 12), including all units and parts to Ocean Driller III (together, the "**Equipment**"), and Ocean Driller III agreed to accept and be granted all legal and beneficial right, title and interest in and to the Equipment, with the intention that Ocean Driller III shall then immediately lease the Equipment back to CICT for the period commencing on the date on which the following payment of consideration takes place (the "**Remittance Date**"), and ending on the date falling 364 days after the Remittance Date, unless terminated earlier in accordance with the provisions of the Structured Lease Agreement. The consideration under the Structured Lease Agreement is US$49.00 million (equivalent to approximately HK$385.00 million) or such other amount as may be agreed between CICT and Ocean Driller III in writing (but in any event not exceeding 86% of the value of the Equipment as agreed between CICT and Ocean Driller III) (the "**Consideration**"). Subject to Ocean Driller III's election, its obligation to pay the Consideration may be set off against CICT's obligation to pay the deposit (being an amount equivalent to 5% of the Consideration) under the Structured Lease Agreement, such that Ocean Driller III shall only be required to pay an amount equivalent to the Consideration less the Deposit). Ocean Driller III is an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Structured Lease Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(ii) Reference is made to the announcement of the Company dated 21 April 2023. On 21 April 2023, Fortune Centre Group Limited ("**FCGL**") (a wholly-owned subsidiary of the Company), entered into a shareholders agreement (the "**Shareholders Agreement**") with Access Engineering PLC ("**Access Engineering**") and Sri Lanka Ports Authority ("**SLPA**"), in relation to the establishment and governance of South Asia Commercial and Logistics Hub Limited (the "**SACLH**") for the implementation of the financing, design, construction, development, operation, management and maintenance of the "South Asia Commercial Logistics Hub", a logistics centre in the Port of Colombo, by the SACLH and SLPA via a public-private partnership model (the "**SACLH Project**"). The issued share capital of the SACLH will be US$84.00 million (equivalent to approximately HK$659.00 million), among which, FCGL agrees to contribute in cash of US$58.80 million (equivalent to approximately HK$462.00 million), representing 70% of the total issued share capital of the SACLH; Access Engineering agrees to contribute in cash of US$12.60 million (equivalent to approximately HK$99.00 million), representing 15% of the total issued share capital of the SACLH; and SLPA agrees to contribute in cash of US$12.60 million (equivalent to approximately HK$99.00 million), representing 15% of the total issued share capital of the SACLH. On the same day, the SACLH entered into a build-operate-transfer agreement (the "**BOT Agreement**") with SLPA. Pursuant to the BOT Agreement, the parties agree to adopt the "Build-Operate-Transfer (BOT)" model for the implementation of the SACLH Project. CICT, a subsidiary of the Company, is owned as to 85% and 15% by the Company and SLPA, respectively. Accordingly, SLPA is considered a connected person of the Company at the subsidiary level under the Listing Rules. The transactions contemplated under the Shareholders Agreement and the BOT Agreement in relation to the SACLH Project therefore respectively constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

(iii) Reference is made to the announcement of the Company dated 25 May 2023. On 25 May 2023, Cyber Chic Company Limited ("**Cyber Chic**") (a wholly-owned subsidiary of the Company) as the transferor entered into an assets and equity transfer agreement (the "**Assets and Equity Transfer Agreement**") with Ningbo Zhoushan Port Company Limited ("**Ningbo Port**") as the transferee, pursuant to which Ningbo Port agreed to purchase and Cyber Chic agreed to dispose 45% equity interest in Ningbo Daxie China Merchants International Terminals Co., Ltd. (寧波大榭招商國際碼頭有限公司) ("**Ningbo Daxie**") at a consideration of RMB1,845.00 million. Upon completion of the disposal of 45% equity interest in Ningbo Daxie by Cyber Chic to Ningbo Port pursuant to the Assets and Equity Transfer Agreement (the "**Disposal**"), the Company will no longer hold any interest in Ningbo Daxie, thus Ningbo Daxie will no longer be accounted as a subsidiary in the consolidated financial statements of the Group. As Ningbo Port is one of the substantial shareholders of Ningbo Daxie, Ningbo Port is a connected person of the Company at the subsidiary level, and thus the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(iv) Reference is made to the announcement of the Company dated 15 September 2023. On 15 September 2023, Khor Ambado FZCO ("**Djibouti Asset Company**") as lessor entered into a lease agreement (the "**Land Lease Agreement**") with China Merchants Holdings (Djibouti) FZE ("**CM Djibouti**") (a wholly-owned subsidiary of the Company) as lessee, pursuant to which the Djibouti Asset Company as lessor would sub-lease a parcel of land with an area of 86,247.66 square metres within the Djibouti International Free Trade Zone (the "**DIFTZ**") (the "**Leased Land**") to CM Djibouti as lessee, for a term commencing on the date of the Land Lease Agreement and ending on 14 August 2116. CM Djibouti shall pay to the Djibouti Asset Company: (i) rent in an aggregate amount of approximately US$8.62 million (equivalent to approximately HK$67.24 million) for the full term of the lease as contemplated under the Land Lease Agreement; (ii) a land grant fee in an aggregate amount of approximately US$4.97 million (equivalent to approximately HK$38.77 million); and (iii) property management fees at respective annual rates of US$nil for the first six years from the completion date (date of completion of the construction period of CM Djibouti's phase-2 warehouse project on the Leased Land, which period shall end upon CM Djibouti's written approval of work completion certificates of such project on the Leased Land), no more than US$0.50 (equivalent to approximately HK$3.90) for the following five years, and thereafter, no more than US$1.00 (equivalent to approximately HK$7.80) for the remaining term of the Land Lease Agreement, in each case, per square metre of the surface area of the Leased Land. Pursuant to HKFRS 16, the Leased Land will be recognised by the Group as a right-of-use asset, in which the value is approximately US$13.60 million (equivalent to approximately HK$106.08 million), amortised over the lease term on a straight-line basis. The Djibouti Asset Company is an associate of CMG (the ultimate holding company of the

Company), and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Land Lease Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the rental fees under the Land Lease Agreement would be accounted as land use rights in the Company's financial statements in accordance with HKFRS 16, the transaction under the Land Lease Agreement would be regarded as an acquisition of the Leased Land and constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(v) Reference is made to the announcement of the Company dated 28 September 2023. On 28 September 2023, the board of Directors of the Company approved the entering into of a research and development agreement (the "**Research and Development Agreement**") between Shenzhen Malai Storage Company Limited (碼來倉儲(深圳)有限公司) ("**Malai**") (an indirect wholly-owned subsidiary of the Company) and China Merchants International Technology Company Limited (招商局國際科技有限公司) ("**CMIT**") for a term from 1 December 2023 to 31 December 2024. Pursuant to the Research and Development Agreement, Malai will cooperate with CMIT to jointly carry out research on automated container terminal management system. CMIT will utilize its research and development capabilities to coordinate and implement the project. The consideration for the services under the Research and Development Agreement is RMB30.00 million (equivalent to approximately HK$33.33 million). CMIT is an indirect subsidiary of CMG, the ultimate holding company of the Company. Accordingly, CMIT is a connected person of the Company and the transactions contemplated under the Research and Development Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

(vi) Reference is made to the announcement of the Company dated 18 December 2023. On 18 December 2023, China Merchants Port Services (Shenzhen) Company Limited (招商港務(深圳)有限公司) ("**CMPS**") (an indirect wholly-owned subsidiary of the Company) as lessee entered into collectively, seven new separate lease agreements (the "**2024 CMSIZ Lease Agreements**") with CMSIZ as lessor to continue to lease certain parcels of land in the Shekou Industrial Park from CMSIZ for a term of three years commencing on 1 January 2024 and ending on 31 December 2026. The total rental fees payable by CMPS to CMSIZ over the three-year term under the 2024 CMSIZ Lease Agreements (as aggregated) is approximately RMB83.76 million (equivalent to approximately HK$93.07 million). Pursuant to HKFRS 16, the leased lands which are the subjects of the 2024 CMSIZ Lease Agreements will be recognised by the Group as a right-of-use asset, in which the aggregate value is approximately RMB76.11 million (equivalent to approximately HK$84.57 million), amortised over the lease term on a straight line basis. 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 2024 CMSIZ Lease Agreements constituted connected transactions 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 2023 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 2023 (HK$' million)	Annual Caps for the year ended 31 December 2023 (HK$' million)
MSC Mediterranean Shipping Company S.A. ("**MSC**") and its subsidiaries ("**MSC Group**")	Provision of terminal services charged by the Group	(i)	1,844.82	2,520.00
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	(ii)	(39.68)	(50.00)*
China Merchants Group Finance Company Limited (招商局集團財務有限公司) ("**China Merchants Finance**")	Placing of deposits	(iii)	2,010.45**	2,100.00**
China Merchants Finance	Interest income arising from the depositing of money	(iii)	20.96	81.00
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	(iv)	(8.12)	(12.00)
CMIT	Provision of technology consulting services, system maintenance, software development and information systems integration services charged to the Group	(v)	(89.54)	(330.00)*

Name of party	Nature of transaction	Note	Total Consideration for the year ended 31 December 2023 (HK$' million)	Annual Caps for the year ended 31 December 2023 (HK$' million)
Yiu Lian Dockyards (Shekou) Limited (友聯船廠 (蛇口) 有限公司) ("**Yiu Lian Shekou**"), Shenzhen China Merchants Property Management Co., Ltd. (深圳招商物業管理有限公司) ("**CM Property Management**"), 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**"), Shenzhen Chiwan Port Development Co., Ltd. (深圳赤灣港口發展有限公司) ("**Chiwan Port**"), China Merchants Bonded Logistics Co., Ltd. (招商局保稅物流有限公司) ("**CMBL**"), CMIT, 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 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**")	Rental income from the leasing of residential housing received by the Group	(vi)	16.39	23.22*

Name of party	Nature of transaction	Note	Total Consideration for the year ended 31 December 2023 (HK$' million)	Annual Caps for the year ended 31 December 2023 (HK$' million)
Sinotrans & CSC and its associates ("**Sinotrans & CSC Group**")	Provision of port-related services charged by the Group	(vii)	52.36	61.11*
Sinotrans & CSC Group	Provision of cargo transportation and related agency services charged to the Group	(vii)	(8.42)	(13.33)*
CMPG and its subsidiaries (the "**CMPG Group**")	Provision of port and port-related comprehensive services charged by the Group	(viii)	29.41	35.56*
CMPG Group	Provision of port and port-related comprehensive services charged to the Group	(viii)	(10.99)	(18.89)*

* 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 2023, respectively.

Notes:

(i) 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$2,520.00 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 2023 were HK$1,844.82 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.

(ii) 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 Warehouse Service Agreement in the year ended 31 December 2023 were RMB35.72 million (equivalent to approximately HK$39.68 million). Shenzhen Nanyou is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(iii) Reference is made to the announcement of the Company dated 29 September 2022. On 29 September 2022, 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), 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$2,100.00 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$10.00 million, HK$10.00 million, HK$10.00 million and HK$81.00 million, for each of the years ending 31 December 2023, 2024 and 2025. 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 2023 was HK$2,010.45 million. The total interest income received and receivable by the Company under the 2023 Financial Services Agreement in the year ended 31 December 2023 was HK$20.96 million. China Merchants Finance is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(iv) Reference is made to the announcement of the Company dated 29 December 2022. On 29 December 2022, 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 2023 and ending on 31 December 2023 at a rate of HK$3,300.00 per barge, and CMCS shall be responsible for the payment of fuel oil surcharge of HK$390.00 per barge for each time the barge has brought ships into and from the Tsing Yi Terminal (the "**2023 Ship Berthing Services Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate ship berthing fees payable by CMCS under the 2023 Ship Berthing Services Agreement for the year ending 31 December 2023 at HK$12.00 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 2023 were HK$8.12 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.

(v) Reference is made to the announcement of the Company dated 29 December 2022. On 29 December 2022, 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 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 by the Group under the 2023 CMIT Comprehensive Services Framework Agreement for each of the two years ending 31 December 2023 and 31 December 2024 at RMB300.00 million (equivalent to approximately HK$330.00 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 2023 were RMB80.60 million (equivalent to approximately HK$89.54 million). CMIT is a subsidiary of CMPG, a substantial shareholder of the Company, and accordingly, a connected person of the Company.

(vi) Reference is made to the announcements of the Company dated 31 October 2022 and 28 September 2023. Between 27 May 2022 and 31 October 2022, 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) 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 **"Existing Lessees"**), respectively, 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 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 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 RMB5.00 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 31 December 2023, respectively. Between 1 April 2023 and 30 November 2023, in view of the expiry of the Existing Qianhai Bay Garden Lease Agreements, Qianhai Bay Property entered into new lease agreements with (i) Yiu Lian Shekou, (ii) CM Property Management, (iii) Shenzhen West Security; (iv) CMPG; (v) Chiwan Container Terminal; (vi) Chiwan Port; (vii) CMBL; (viii) CMIT; (ix) CM Chuangrong; and (x) Shenzhen Gangteng (together, the "**New Lessees**"), respectively, to lease numerous residential units located at Qianhai Bay Garden as staff quarters for their respective employees for the period commencing on dates between 1 April 2023 to 1 December 2023 and ending on dates between 30 April 2024 to 30 November 2024 (together, the "**2023 Qianhai Bay Garden Lease Agreements**"). The Directors expected that the annual cap in respect of the rental income receivable by the Group under the Existing Qianhai Bay Garden Lease Agreements and the 2023 Qianhai Bay Garden Lease Agreements for the year ending 31 December 2023 will not be sufficient. Accordingly, on 28 September 2023, the Directors resolved to revise the annual cap upwards to RMB20.90 million (equivalent to approximately HK$23.22 million) for the year ending 31 December 2023 and set aggregate annual cap in respect of the rental income receivable by the Group under the 2023 Qianhai Bay Garden Lease Agreements for the year ending 31 December 2024 at RMB10.43 million (equivalent to approximately HK$11.59 million). The aggregate rental income received and receivable by the Group under the Existing Qianhai Bay Garden Lease Agreements and the 2023 Qianhai Bay Garden Lease Agreements in the year ended 31 December 2023 were RMB14.75 million (equivalent to approximately HK$16.39 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.

(vii) Reference is made to the announcements of the Company dated 24 December 2021, 29 December 2022 and 18 December 2023. 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 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 were RMB26.00 million (equivalent to approximately HK$28.89 million), RMB34.00 million (equivalent to approximately HK$37.78 million) and RMB45.00 million (equivalent to approximately HK$50.00 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$38.89 million), RMB50.00 million (equivalent to approximately HK$55.56 million) and RMB60.00 million (equivalent to approximately HK$66.67 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 Directors expected that the existing annual cap 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 will not be sufficient for the year ending 31 December 2023. Accordingly, on 18 December 2023, the Directors resolved to revise the annual caps upwards to RMB55.00 million (equivalent to approximately HK$61.11 million) for the year ending 31 December 2023. The Directors also expect that the existing annual caps in respect of the services fees for cargo transportation and related agency services payable by the Group to the Sinotrans & CSC Group under the 2022 Sinotrans Services Framework Agreement will not be sufficient for the years ending 31 December 2023 and 31 December 2024. Accordingly, on 18 December 2023, the Directors resolved to revise the annual caps upwards to RMB12.00 million (equivalent to approximately HK$13.33 million) and RMB13.20 million (equivalent to approximately HK$14.67 million) for each of the two years ending 31 December 2023 and 2024. The aggregate service fees received and receivable by the Group for port-related services, in the year ended 31 December 2023 were RMB47.13 million (equivalent to approximately HK$52.36 million), and the aggregate service fees paid and payable by the Group for cargo transportation and related agency services in the year ended 31 December 2023 were RMB7.58 million (equivalent to approximately HK$8.42 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.

(viii) Reference is made to the announcements of the Company dated 24 December 2021 and 18 December 2023. 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 and port-related comprehensive services by members of the Group to members of the CMPG Group and the provision of port and port-related comprehensive 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 comprehensive services receivable by the Group from CMPG Group as RMB17.00 million (equivalent to approximately HK$18.89 million) and RMB23.00 million (equivalent to approximately HK$25.56 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 port-related comprehensive services payable by the Group to CMPG Group as RMB10.00 million (equivalent to approximately HK$11.11 million) and RMB13.00 million (equivalent to approximately HK$14.44 million) for the years ended/ending 31 December 2022 and 2023, respectively. The Directors expected that the existing annual cap in respect of the service fees for port and port-related comprehensive services payable by the Group to CMPG Group and the annual cap in respect of the service fees for the provision of port and port-related comprehensive services receivable by the Group from CMPG Group will not be sufficient for the year ending 31 December 2023. Accordingly, on 18 December 2023, the Directors resolved to revise the annual cap in respect of the service fees for the provision of port and port-related comprehensive services receivable by the Group from CMPG Group under the 2022 CMPG Services Framework Agreement upwards to RMB32.00 million (equivalent to approximately HK$35.56 million) and the annual cap in respect of the service fees for port and port-related comprehensive services payable by the Group to CMPG Group under the 2022 CMPG Services Framework Agreement upwards to RMB17.00 million (equivalent to approximately HK$18.89 million). The aggregate service fees for the provision of port and port-related comprehensive services received and receivable by the Group from CMPG Group and the service fees for port and port-related comprehensive services paid and payable by the Group to CMPG Group for the year ended 31 December 2023 were RMB26.47 million (equivalent to approximately HK$29.41 million) and RMB9.89 million (equivalent to approximately HK$10.99 million), respectively. CMPG is a substantial shareholder of the Company, and accordingly, CMPG is 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 terminal services by the Group to the MSC Group, details of which are set out in the note (i) to paragraph (b) of this section, the aggregate service fees for Terminal Services Transactions have not exceeded HK$2,520.00 million, the annual cap for the year ended 31 December 2023;

(ii) in respect of the provision of warehouse services by Shenzhen Nanyou to CMBL, details of which are set out in note (ii) to paragraph (b) of this section, the aggregate service fees have not exceeded RMB45.00 million, the annual cap for the year ended 31 December 2023;

(iii) in respect of the placing of deposits with China Merchants Finance and interest income arising from the depositing of money, details of which are set out in note (iii) 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 2023 has not exceeded HK$2,100.00 million, the annual caps for the year ended 31 December 2023 and the amount of interest income from the depositing of money during the year ended 31 December 2023 has not exceeded HK$81.00 million, the annual caps for the year ended 31 December 2023;

(iv) in respect of the provision of ship berthing services by Yiu Lian to CMCS, details of which are set out in note (iv) to paragraph (b) of this section, the aggregate ship berthing service fees paid have not exceeded HK$12.00 million, the annual cap for the year ended 31 December 2023;

(v) in respect of the provision of technology consulting services, system maintenance, software development and information systems integration services by CMIT to members of the Group, details of which are set out in note (v) to paragraph (b) of this section, the aggregate service fees paid have not exceeded RMB300.00 million, the annual cap for the year ended 31 December 2023;

(vi) in respect of the leasing of the residential units under the Existing Qianhai Bay Garden Lease Agreements and the 2023 Qianhai Bay Garden Lease Agreements, details of which are set out in note (vi) to paragraph (b) of this section, the aggregate amount of rental income received by the Group for the year ended 31 December 2023 have not exceeded RMB20.90 million, the relevant annual caps for the aggregate rental income for the year ended 31 December 2023;

(vii) 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 cargo transportation and related agency services by members of the Sinotrans & CSC Group to members of the Group, details of which are set out in note (vii) to paragraph (b) of this section, the aggregate service fees for port-related services received by the Group for the year ended 31 December 2023 have not exceeded RMB55.00 million, the annual caps for the service fees for port-related services for the year ended 31 December 2023, and the aggregate service fees paid by the Group for cargo transportation and related agency services in the year ended 31 December 2023 have not exceeded RMB12.00 million, the annual caps for the service fees for cargo transportation and related agency services for the year ended 31 December 2023; and

(viii) in respect of the provision of port and port-related comprehensive services to, and the receipt of port and port-related comprehensive services from, the CMPG Group, details of which are set out in note (viii) 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 2023 have not exceeded RMB32.00 million and RMB17.00 million, the aggregate annual caps for the year ended 31 December 2023, respectively.

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 39 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 69 to 74 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The revenue from sales attributable to the Group's largest customer represented 15.8% of the Group's total revenue in 2023.

The aggregate amount of revenue from sales attributable to the Group's five largest customers combined represented 34.2% of the Group's total revenue in 2023.

The aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases in 2023.

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 11 to 29 of the 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.

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

On behalf of the Board
Feng Boming
Chairman
Hong Kong, 28 March 2024

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of China Merchants Port Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 83 to 203, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Accounting for the Group's interests in associates	
We identified the accounting for the Group's interests in associates as a key audit matter due to the significance of these investments to the 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 41 to the consolidated financial statements. The Group's share of profits of associates for the year ended 31 December 2023 was HK$5,269 million, representing approximately 71% 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$79,861 million as at 31 December 2023, representing approximately 66% of the net assets of the Group as set out in the consolidated statement of financial position.	Our procedures in relation to the accounting for the Group's interests in associates included: • Obtaining an understanding of the associates by reading those financial information collected by the Group from its associates and discussing with their respective management about the financial performance, significant events occurred in the year and the key areas of judgement made in preparing the financial information to identify and assess the risks that are significant to the audit of the Group's consolidated financial statements; • Meeting with the respective auditors of the associates to discuss their assessment of risks and identification of areas of audit focus to evaluate the appropriateness of 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.

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$5,627 million as at 31 December 2023, among which HK$5,346 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 2023 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

28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 HK$'million	2022 HK$'million
Revenue	4	**11,482**	12,545
Cost of sales		**(6,327)**	(6,977)
Gross profit		**5,155**	5,568
Other income and other gains/(losses), net	7	**498**	(635)
Administrative expenses		**(1,410)**	(1,516)
Finance income	11	**444**	407
Finance costs	11	**(1,774)**	(1,861)
Finance costs, net	11	**(1,330)**	(1,454)
Share of profits less losses of			
Associates		**5,269**	7,795
Joint ventures		**377**	317
		5,646	8,112
Profit before taxation		**8,559**	10,075
Taxation	12	**(1,174)**	(1,046)
Profit for the year	6	**7,385**	9,029
Attributable to:			
Equity holders of the Company		**6,233**	7,781
Holders of perpetual capital securities		**191**	229
Non-controlling interests		**961**	1,019
Profit for the year		**7,385**	9,029
Earnings per share for profit attributable to equity holders of the Company	14		
Basic (HK cents)		**153.22**	201.52

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'million	2022 HK$'million
Profit for the year	**7,385**	9,029
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	**(1,266)**	(9,227)
Release of reserves upon disposal of a subsidiary	**109**	24
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial gain/(loss) on defined benefit plans of subsidiaries	**9**	(58)
Surplus on revaluation of an owner occupied property upon change of use to investment property	**52**	—
Share of other reserves of associates	**1,026**	(67)
Share of net actuarial loss on defined benefit plans of associates and a joint venture	**(16)**	(6)
Total other comprehensive expense for the year, net of tax	**(86)**	(9,334)
Total comprehensive income/(expense) for the year	**7,299**	(305)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	**6,078**	(453)
Holders of perpetual capital securities	**191**	229
Non-controlling interests	**1,030**	(81)
	7,299	(305)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK$'million	2022 HK$'million
ASSETS			
Non-current assets			
Goodwill	15	**5,627**	5,613
Intangible assets	15	**8,718**	8,380
Property, plant and equipment	16	**21,145**	24,217
Right-of-use assets	17	**15,398**	16,735
Investment properties	18	**8,229**	8,265
Interests in associates	20	**79,861**	75,656
Interests in joint ventures	21	**8,327**	9,319
Other financial assets	22	**6,801**	8,860
Other non-current assets	23	**133**	258
Deferred tax assets	33	**364**	323
		154,603	157,626
Current assets			
Inventories	24	**187**	175
Other financial assets	22	**3,338**	2,468
Debtors, deposits and prepayments	25	**1,849**	2,257
Taxation recoverable		**6**	—
Cash and bank balances	26	**12,331**	9,629
		17,711	14,529
Total assets		**172,314**	172,155

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK$'million	2022 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	27	48,731	46,668
Reserves		51,409	47,899
Proposed dividend	13	2,015	2,402
		102,155	96,969
Perpetual capital securities	28	1,522	6,246
Non-controlling interests	19(b)	17,168	19,361
Total equity		120,845	122,576
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	30	20,246	17,968
Lease liabilities	31	1,094	885
Other non-current liabilities	32	5,231	4,958
Deferred tax liabilities	33	4,529	4,766
		31,100	28,577
Current liabilities			
Creditors and accruals	34	3,399	3,514
Bank and other borrowings	30	16,062	16,561
Lease liabilities	31	88	65
Taxation payable		820	862
		20,369	21,002
Total liabilities		51,469	49,579
Total equity and liabilities		172,314	172,155
Net current liabilities		(2,658)	(6,473)
Total assets less current liabilities		151,945	151,153

The consolidated financial statements on pages 83 to 203 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. Feng Boming
DIRECTOR

Mr. Xu Song
DIRECTOR

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2023

	Note	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 29)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million	HK$'million
As at 1 January 2023		46,668	474	49,827	96,969	6,246	19,361	122,576
Adjustments for adoption of amendments to Hong Kong Accounting Standards ("HKAS") 12		—	—	53	53	—	9	62
As at 1 January 2023 (adjusted)		46,668	474	49,880	97,022	6,246	19,370	122,638
COMPREHENSIVE INCOME								
Profit for the year		—	—	6,233	6,233	191	961	7,385
Other comprehensive (expense)/income								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	(1,324)	—	(1,324)	—	58	(1,266)
Release of reserves upon disposal of a subsidiary	37	—	57	52	109	—	—	109
Net actuarial (loss)/gain on defined benefit plans of subsidiaries		—	—	(2)	(2)	—	11	9
Surplus on revaluation of an owner occupied property upon change of use to investment property		—	52	—	52	—	—	52
Share of other reserves of associates		—	1,026	—	1,026	—	—	1,026
Share of net actuarial loss on defined benefit plans of associates and joint ventures		—	—	(16)	(16)	—	—	(16)
Total other comprehensive (expense)/income for the year, net of tax		—	(189)	34	(155)	—	69	(86)
Total comprehensive (expense)/income for the year		—	(189)	6,267	6,078	191	1,030	7,299
TRANSACTIONS WITH OWNERS								
Issue of shares in lieu of dividends	27	2,063	—	—	2,063	—	—	2,063
Transfer to statutory reserve		—	107	(107)	—	—	—	—
Acquisition of additional interest in a subsidiary	19 (e)	—	1	—	1	—	(878)	(877)
Disposal of a subsidiary	37	—	—	—	—	—	(1,941)	(1,941)
Contribution from immediate holding company		—	1	—	1	—	—	1
Share of other changes in equity attributable to equity holders of associates and joint ventures		—	301	—	301	—	—	301
Capital injection to a subsidiary		—	—	—	—	—	89	89
Distribution to holders of perpetual capital securities	28	—	—	—	—	(225)	—	(225)
Redemption of the perpetual capital securities		—	—	—	—	(4,690)	—	(4,690)
Dividends		—	—	(3,311)	(3,311)	—	(502)	(3,813)
Total transactions with owners for the year		2,063	410	(3,418)	(945)	(4,915)	(3,232)	(9,092)
As at 31 December 2023		48,731	695	52,729	102,155	1,522	17,168	120,845

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2023

		Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
	Note	Share capital HK$'million	Other reserves HK$'million (note 29)	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)/income								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	(8,151)	—	(8,151)	—	(1,076)	(9,227)
Release of reserves upon disposal of a subsidiary		—	(4)	28	24	—	—	24
Net actuarial loss on defined benefit plans of subsidiaries		—	—	(34)	(34)	—	(24)	(58)
Share of other reserves of associates		—	(67)	—	(67)	—	—	(67)
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	27	2,651	—	—	2,651	—	—	2,651
Transfer to statutory reserve		—	163	(163)	—	—	—	—
Disposal of a subsidiary		—	—	—	—	—	(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	28	—	—	—	—	(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 Cash Flows

For the year ended 31 December 2023

	Note	2023 HK$'million	2022 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	36(a)	6,064	7,139
Hong Kong Profits Tax paid		(11)	(1)
PRC corporate income tax paid		(449)	(698)
Overseas profits tax paid		(223)	(120)
Withholding tax paid on dividends received		(177)	(131)
Dividends received from associates and joint ventures		2,034	2,592
Net cash generated from operating activities		7,238	8,781
Cash flows from/(used in) investing activities			
Proceeds from withdrawal of other deposits and structured deposits		18,569	8,169
Repayment from an associate		3,295	—
Proceeds from disposal of a subsidiary (net of cash and bank balances disposed of, tax paid, and payment of costs attributable to the disposal)	37	1,841	(22)
Interest income received		442	360
Proceeds from disposal of a subsidiary in prior year		146	—
Proceeds from disposal of property, plant and equipment		9	10
Proceeds from disposal of financial assets at fair value through profit or loss		2	—
Placement of other deposits and structured deposits		(20,425)	(6,881)
Purchase of property, plant and equipment, investment properties, intangible assets and right-of-use assets		(1,309)	(1,514)
Investments in associates and joint ventures		(1)	(2,801)
Tax payments relating to resumption of land parcels in previous years		—	(1,145)
Net cash from/(used in) investing activities		2,569	(3,824)
Net cash inflow before financing activities carried forward		9,807	4,957

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'million	2022 HK$'million
Net cash inflow before financing activities brought forward	**9,807**	4,957
Cash flows used in financing activities		
Proceeds from bank loans	**22,634**	21,466
Loans from fellow subsidiaries	**535**	119
Advance from associates	**179**	311
Capital contribution from non-controlling equity holders of a subsidiary	**89**	—
Loan from immediate holding company	—	217
Repayment of bank loans	**(12,463)**	(19,531)
Repayment of notes payable	**(7,033)**	(6,860)
Redemption of perpetual capital securities	**(4,690)**	—
Interests paid	**(1,700)**	(1,686)
Repayment of loan from immediate holding company	**(1,324)**	—
Dividends paid to ordinary shareholders	**(1,248)**	(941)
Acquisition of additional interests in a subsidiary	**(877)**	—
Dividends paid to non-controlling equity holders of subsidiaries	**(434)**	(687)
Repayment of loans from fellow subsidiaries	**(388)**	(178)
Distribution paid to holders of perpetual capital securities	**(225)**	(224)
Repayment of lease liabilities	**(96)**	(79)
Repayment of advance from an associate	**(67)**	(198)
Repayment of loan from non-controlling equity holders of a subsidiary	—	(549)
Net proceeds on issue of notes payable	—	3,916
Net cash used in financing activities	**(7,108)**	(4,904)
Increase in cash and cash equivalents	**2,699**	53
Cash and cash equivalents at 1 January	**9,625**	9,974
Effect of foreign exchange rate changes	**(41)**	(402)
Cash and cash equivalents at 31 December, represented by cash and bank balances	**12,283**	9,625

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 2023, 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 49.28% of the total issued share capital of the Company. Pursuant to an entrustment agreement with China Merchants Holdings (Hong Kong) Company Limited ("CMHK", a company incorporated in Hong Kong and an indirect subsidiary of China Merchants Group Limited ("CMG")) (the "Acting in Concert Agreement"), CMPG has the power to direct the voting right over approximately 21.85% 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 71.13% 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 37.82% 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 71.76% 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. MATERIAL ACCOUNTING POLICY INFORMATION

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. MATERIAL ACCOUNTING POLICY INFORMATION (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) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of new and 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(ii) Amendments to HKFRSs in issue but are not yet effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
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 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

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 amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Consolidation

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

(i) Subsidiaries

Control is achieved when the Company:

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (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, the identifiable assets acquired and the 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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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.

2.3 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 gains/(losses), net".

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

(iii) Group companies

The results and financial position of all group entities 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 on identifiable assets acquired arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year end exchange rate. Exchange differences arising therefrom are recognised in other comprehensive income.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Foreign currency translation (continued)

(iv) Disposal and partial disposal of foreign operation

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

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

2.5 Property, plant and equipment

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

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

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.5 Property, plant and equipment (continued)

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains/(losses), 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Investment properties

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

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

2.7 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).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.7 Goodwill and intangible assets (continued)

(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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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.

2.9 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Financial assets

(i) Classification

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

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

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

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

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

A financial asset is held for trading if:

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Financial assets (continued)

(ii) Recognition and measurement

Amortised cost and interest income

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

Equity instruments designated as at FVTOCI

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

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

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

Financial assets at FVTPL

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Financial assets (continued)

(iii) Derecognition of financial assets

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

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

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

2.11 Impairment of financial assets and financial guarantee contracts

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets and financial guarantee contracts which are subject to impairment 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

Significant increase in credit risk

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

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

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

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

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

Measurement and recognition of ECL (continued)

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

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

- Nature of financial instruments (i.e. the Group's trade debtors and other debtors are assessed as a separate group. Amounts due from/advances to immediate holding company/fellow subsidiaries/associates/joint ventures, compensation receivable from Shantou Land Reserve Centre ("SLRC") and dividend receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.13 Debtors

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

2.14 Cash and cash equivalents

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. MATERIAL ACCOUNTING POLICY INFORMATION (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% 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%.

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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. 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).

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.18 Current and deferred income tax (continued)

(ii) Deferred tax (continued)

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 the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. 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.

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

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

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

Defined benefit costs are categorised as follows:

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.19 Employee benefits (continued)

(ii) Other post-employment obligations

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

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

(iii) Termination obligations

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

(iv) Short-term employee benefits

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.22 Revenue from contracts with customers (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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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. MATERIAL ACCOUNTING POLICY INFORMATION (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 assets. 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. MATERIAL ACCOUNTING POLICY INFORMATION (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 gains/(losses), net".

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 40.

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 2023, a deferred tax asset of HK$6 million (2022: HK$32 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$1,072 million (2022: HK$1,570 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.

	2023 **HK$'million**	2022 HK$'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	**10,680**	11,833
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	**593**	522
Revenue from contracts with customers	**11,273**	12,355
Gross rental income from investment properties (Note)	**209**	190
	11,482	12,545

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$47 million (2022: HK$55 million) during the year ended 31 December 2023.

4. REVENUE (CONTINUED)

Performance obligations for contracts with customers and revenue recognition policies

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, 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 (2022: one) customer has accounted for over 10% of the Group's total revenue amounting to HK$1,845 million (2022: HK$1,694 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	
	2023 HK$'million	2022 HK$'million	**2023 HK$'million**	2022 HK$'million
Mainland China, Hong Kong and Taiwan	**6,348**	7,919	**102,424**	102,221
Brazil	**1,977**	1,768	**9,579**	8,695
Other locations	**3,157**	2,858	**35,435**	37,527
	11,482	12,545	**147,438**	148,443

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 2023									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
Revenue	3,874	621	85	1,011	5,089	10,680	593	209	–	11,482
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,372	300	135	46	2,393	4,246	234	109	(346)	4,243
Share of profits less losses of										
– Associates	108	4,239	194	50	311	4,902	9	358	–	5,269
– Joint ventures	1	–	178	5	205	389	1	(13)	–	377
	1,481	4,539	507	101	2,909	9,537	244	454	(346)	9,889
Finance costs, net	(28)	(1)	1	(22)	(65)	(115)	(1)	(19)	(1,195)	(1,330)
Taxation	(312)	(288)	(49)	(28)	(426)	(1,103)	(39)	(32)	–	(1,174)
Profit/(loss) for the year	1,141	4,250	459	51	2,418	8,319	204	403	(1,541)	7,385
Holders of perpetual capital securities	–	–	–	–	–	–	–	–	(191)	(191)
Non-controlling interests	(218)	(94)	–	(30)	(559)	(901)	(62)	2	–	(961)
Profit/(loss) attributable to equity holders of the Company	923	4,156	459	21	1,859	7,418	142	405	(1,732)	6,233
Other information:										
Depreciation and amortisation	668	113	1	312	963	2,057	113	15	24	2,209
Capital expenditure	316	25	–	181	862	1,384	466	22	1	1,873

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 2022									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
Revenue	4,825	1,326	86	1,015	4,581	11,833	522	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)	3,417
Share of profits less losses of										
– Associates	242	5,564	181	42	1,050	7,079	9	707	—	7,795
– Joint ventures	2	—	138	5	182	327	(6)	(4)	—	317
	2,099	5,695	341	(144)	3,250	11,241	120	862	(694)	11,529
Finance costs, net	(60)	(1)	1	(23)	(187)	(270)	(14)	(30)	(1,140)	(1,454)
Taxation	(397)	(254)	(22)	(6)	(262)	(941)	(21)	(84)	—	(1,046)
Profit/(loss) for the year	1,642	5,440	320	(173)	2,801	10,030	85	748	(1,834)	9,029
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(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)	7,781
Other information:										
Depreciation and amortisation	730	235	1	319	933	2,218	115	11	29	2,373
Capital expenditure	390	270	—	192	498	1,350	36	38	1	1,425

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 2023									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
ASSETS										
Segment assets (excluding interests in associates and joint ventures)	16,725	1,810	1,022	10,266	32,977	62,800	3,244	8,547	9,165	83,756
Interests in associates	3,865	41,774	4,864	2,983	9,255	62,741	579	16,541	—	79,861
Interests in joint ventures	8	—	2,812	313	4,639	7,772	341	214	—	8,327
Total segment assets	20,598	43,584	8,698	13,562	46,871	133,313	4,164	25,302	9,165	171,944
Tax recoverable										6
Deferred tax assets										364
Total assets										172,314
LIABILITIES										
Segment liabilities	2,577	—	19	1,648	6,427	10,671	593	490	34,366	46,120
Taxation payable										820
Deferred tax liabilities										4,529
Total liabilities										51,469

5. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December 2022									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
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	86,857
Interests in associates	3,015	38,988	4,805	3,012	9,356	59,176	572	15,908	—	75,656
Interests in joint ventures	6	—	2,801	347	5,496	8,650	440	229	—	9,319
Total segment assets	20,698	45,134	8,597	13,820	49,663	137,912	3,533	24,749	5,638	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	43,951
Taxation payable										862
Deferred tax liabilities										4,766
Total liabilities										49,579

6. PROFIT FOR THE YEAR

	2023 HK$'million	2022 HK$'million
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments) (note 8)	**2,125**	2,307
Depreciation of property, plant and equipment	**1,418**	1,566
Depreciation of right-of-use assets	**495**	522
Amortisation of intangible assets	**296**	285
Auditor's remuneration (including fees for non-audit services)	**11**	10

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

	2023 HK$'million	2022 HK$'million
Net loss on deemed disposal of partial interest in associates	—	(3)
Net loss on disposal of property, plant and equipment and right-of-use assets	(22)	(86)
Gain on disposal of a subsidiary (note 37)	115	—
Net change in fair value of financial assets at FVTPL		
– equity investments	59	(380)
– structured deposits	40	22
Net change in fair value of investment properties (note 18)	(7)	7
Net reversal/(allowance) for credit losses of trade debtors and other debtors	29	(276)
Net exchange losses	(78)	(481)
Operating indemnification (Note)	—	249
Dividend income from equity investments	86	92
Government grants	145	184
Others	131	37
	498	(635)

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)

	2023 HK$'million	2022 HK$'million
Wages, salaries and bonus	1,808	1,859
Equity-settled share based payment	1	(7)
Retirement benefit scheme contributions	316	455
	2,125	2,307

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	2023 Total HK$'million	2022 Total HK$'million
Executive Directors:						
Wang Xiufeng (Note (ii))	—	0.43	1.25	0.15	1.83	2.70
Xu Song (Note (iii))	—	1.24	1.09	0.36	2.69	1.99
Lu Yongxin (Note (iv))	—	1.08	0.96	0.33	2.37	3.92
Tu Xiaoping (Note (v))	—	1.24	1.08	0.32	2.64	2.45
Wang Zhixian (Note (viii))	N/A	N/A	N/A	N/A	N/A	3.22
Non-executive Directors:						
Feng Boming (Note (vi))	—	—	—	—	—	N/A
Yim Kong (Note (vii))	—	1.20	1.36	0.02	2.58	2.52
Yang Guolin (Note (viii))	—	1.16	0.93	0.35	2.44	1.33
Deng Renjie (Note (ix))	—	—	—	—	—	—
Liu Weiwu (Note (x))	N/A	N/A	N/A	N/A	N/A	—
Deng Weidong (Note (xi))	N/A	N/A	N/A	N/A	N/A	—
Independent non-executive Directors:						
Chan Hiu Fung Nicholas (Note (xii))	0.30	—	—	—	0.30	0.02
Chan Yuen Sau Kelly (Note (xiii)	0.24	—	—	—	0.24	N/A
Li Ka Fai David	0.30	—	—	—	0.30	0.30
Wong Chi Wing (Note (xiv))	0.13	—	—	—	0.13	N/A
Wong Pui Wah (Note (xv))	0.30	—	—	—	0.30	0.10
Bong Shu Ying Francis (Note (xvi))	N/A	N/A	N/A	N/A	N/A	0.30
Kut Ying Hay (Note (xiii))	N/A	N/A	N/A	N/A	N/A	0.30
Lee Yip Wah Peter (Note (xii))	N/A	N/A	N/A	N/A	N/A	0.30
Total for the year ended 31 December 2023	1.27	6.35	6.67	1.53	15.82	
Total for the year ended 31 December 2022	1.32	6.32	10.30	1.51		19.45

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. Wang Xiufeng resigned as the Vice Chairman of the Board of Director, the Chief Executive Officer and an executive director of the Company on 24 July 2023.

(iii) Mr. Xu Song has been redesignated from the Managing Director of the Company to the Vice Chairman of the Board of Directors and the Chief Executive Officer of the Company on 24 July 2023.

(iv) Mr. Lu Yongxin has been appointed as the Managing Director of the Company on 24 July 2023.

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

(vi) Mr. Feng Boming has been appointed as the Chairman of the Board of Directors and a non-executive director of the Company on 24 July 2023.

(vii) 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.

(viii) 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.

(ix) Mr. Deng Renjie has resigned as the Chairman of the Board of Director and a non-executive director of the Company on 24 July 2023.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) Mr. Wong Chi Wing has been appointed as an independent non-executive director of the Company on 24 July 2023.

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

(xvi) Mr. Bong Shu Ying Francis retired as an independent non-executive director of the Company on 2 June 2023.

(xvii) 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 key management

Of the ten (2022: eleven) key management of the Company for the year ended 31 December 2023, six (2022: seven) of them are directors of the Company and their remuneration has been disclosed in note 9. The total emoluments of the remaining four (2022: four) key management is as follows:

	2023 HK$'million	2022 HK$'million
Salaries, other allowances and benefit-in-kinds	4	3
Performance related incentive payments	3	5
	7	8

The emoluments fell within the following bands:

	Number of key management	
	2023	2022
Below HK$1,500,000	1	2
HK$1,500,001 - HK$2,000,000	2	—
HK$2,000,001 - HK$2,500,000	1	—
HK$2,500,001 - HK$3,000,000	—	2
	4	4

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, five are directors (2022: three are directors and two are key management) of the Company whose emoluments are included in notes 9 and 10(a), respectively.

During the years ended 31 December 2023 and 2022, 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 2023 and 2022.

11. FINANCE INCOME AND COSTS

	2023 HK$'million	2022 HK$'million
Finance income from:		
Interest income from bank and other deposits	**227**	186
Interest income from advance to a joint venture	**62**	21
Interest income from advances to associates	**155**	200
	444	407
Interest expense on:		
Bank loans	**(647)**	(444)
Notes payable	**(782)**	(1,022)
Loans from:		
– a non-controlling equity holder of a subsidiary	**—**	(14)
– fellow subsidiaries	**(21)**	(11)
– immediate holding company	**(12)**	(55)
Lease liabilities	**(50)**	(52)
Others	**(262)**	(263)
Finance costs	**(1,774)**	(1,861)
Finance costs, net	**(1,330)**	(1,454)

12. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2022: 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:

	2023 HK$'million	2022 HK$'million
Current taxation		
Hong Kong Profits Tax	4	8
PRC corporate income tax	383	450
PRC capital gain tax	143	—
Overseas profits tax	307	158
Withholding income tax	116	174
Deferred taxation		
Origination and reversal of temporary differences	221	256
	1,174	1,046

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:

	2023 HK$'million	2022 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	2,913	1,963
Expected tax calculated at the weighted average applicable tax rate	950	575
Income not subject to tax	(532)	(462)
Expenses not deductible for tax purposes	230	498
Tax losses and other temporary differences not recognised	38	61
Utilisation of previously unrecognised tax losses	(15)	(88)
Withholding tax on earnings of subsidiaries, associates and joint ventures	503	462
Tax charge	1,174	1,046

The weighted average applicable tax rate was 32.6% (2022: 29.3%).

13. DIVIDENDS

	2023 HK$'million	2022 HK$'million
Interim, paid, of 22 HK cents (2022: 22 HK cents) per ordinary share	909	866
Final, proposed, of 48 HK cents (2022: 60 HK cents) per ordinary share	2,015	2,402
	2,924	3,268

At a meeting held on 28 March 2024, the Board of Directors proposed a final cash dividend of 48 HK cents per ordinary share (2022: scrip dividend of 60 HK cents per ordinary share by way of issue of new shares, by way of scrip dividend, with cash alternative). This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

The amount of proposed final dividend for 2023 was based on 4,198,009,186 (2022: 4,003,383,046) shares in issue as at 28 March 2024.

Details of scrip dividends are set out in note 27.

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:

	2023	2022
Basic		
Profit attributable to equity holders of the Company (HK$'million)	6,233	7,781
Weighted average number of ordinary shares in issue	4,068,060,286	3,861,103,481

No diluted earnings per share for both 2023 and 2022 were presented as there were no potential dilutive ordinary shares in issue for both 2023 and 2022.

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 2023				
As at 1 January 2023	5,613	7,989	391	8,380
Exchange adjustments	220	420	23	443
Additions	—	79	112	191
Disposal of a subsidiary (note 37)	(206)	—	—	—
Amortisation (Note (a))	—	(295)	(1)	(296)
As at 31 December 2023	5,627	8,193	525	8,718
As at 31 December 2023				
Cost	6,237	10,725	534	11,259
Accumulated amortisation and impairment	(610)	(2,532)	(9)	(2,541)
Net book value	5,627	8,193	525	8,718
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	(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

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 6 (2022: 7) groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2023 HK$'million	2022 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– Pearl River Delta (comprising 4 groups of CGUs)	2,321	2,351
– Others (comprising 1 group of CGU (2022: 2 groups of CGUs))	9	221
	2,330	2,572
– Brazil	3,297	3,041
	5,627	5,613

Included in the ports operation in Pearl River Delta and Brazil as at 31 December 2023 are the goodwill attributable to Mega Shekou Container Terminals Limited and TCP Participações S.A. ("TCP") amounting to HK$2,049 million (2022: HK$2,079 million) and HK$3,297 million (2022: HK$3,041 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 (2022: 5 years) for ports operation in Mainland China, Hong Kong and Taiwan and 25 years (2022: 26 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 2023 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.

15. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(b) (continued)

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

	Terminal growth rate (Note (i))		Discount rate (Note (ii))	
	2023	2022	**2023**	2022
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– Pearl River Delta	**2.20% - 2.50%**	2.00% - 2.50%	**8.93% - 12.23%**	9.43% - 12.53%
– Others	**2.20%**	2.00%	**11.91%**	11.20% - 12.08%
– Brazil	**3.02%**	2.62%	**21.99%**	20.45%

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% (2022: 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$391 million (2022: HK$565 million) and HK$197 million (2022: HK$256 million) respectively.

The sensitivity analysis using a higher/lower terminal growth rate of 0.1% (2022: 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$131 million (2022: HK$135 million) and HK$5 million (2022: HK$6 million) respectively.

(c) Included in port operating rights as at 31 December 2023 is an amount of HK$3,844 million (2022: HK$3,757 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 2023 is also an amount of HK$3,410 million (2022: HK$3,261 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$939 million (2022: HK$971 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) Included in others as at 31 December 2023 is an amount of HK$110 million (2022: nil) relates to the concession for development and operation of a logistics centre in the Port of Colombo for a concession period of 50 years commencing from 2023 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 under which the Group acquired the concession less its accumulated amortisation, which is calculated using the economic usage basis.

The remaining amount of others mainly represents trademark used in Brazil port operation having an indefinite useful life.

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 2023						
As at 1 January 2023	**1,215**	**15,495**	**5,260**	**984**	**1,263**	**24,217**
Exchange adjustments	**(22)**	**28**	**—**	**1**	**(30)**	**(23)**
Additions	**—**	**105**	**279**	**28**	**632**	**1,044**
Disposal of a subsidiary (note 37)	**(175)**	**(1,840)**	**(617)**	**(2)**	**—**	**(2,634)**
Disposals	**(1)**	**(11)**	**(16)**	**—**	**—**	**(28)**
Transfer	**61**	**78**	**226**	**12**	**(377)**	**—**
Transfer to investment properties	**(11)**	**—**	**—**	**—**	**—**	**(11)**
Depreciation (Note (b))	**(51)**	**(675)**	**(609)**	**(83)**	**—**	**(1,418)**
Impairment	**(1)**	**—**	**(1)**	**—**	**—**	**(2)**
As at 31 December 2023	**1,015**	**13,180**	**4,522**	**940**	**1,488**	**21,145**
As at 31 December 2023						
Cost	**1,525**	**20,005**	**11,567**	**1,670**	**1,488**	**36,255**
Accumulated depreciation and impairment	**(510)**	**(6,825)**	**(7,045)**	**(730)**	**—**	**(15,110)**
Net book value	**1,015**	**13,180**	**4,522**	**940**	**1,488**	**21,145**
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	(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

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Others comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$677 million (2022: HK$729 million), HK$61 million (2022: HK$65 million) and HK$202 million (2022: HK$190 million) respectively as at 31 December 2023.

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

	2023 HK$'million	2022 HK$'million
Cost of sales	1,368	1,504
Administrative expenses	50	62
	1,418	1,566

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 2023						
Carrying amount	8,208	141	6,233	—	816	15,398
As at 31 December 2022						
Carrying amount	9,726	122	6,276	1	610	16,735
For the year ended 31 December 2023						
Depreciation charge	245	20	195	1	34	495
For the year ended 31 December 2022						
Depreciation charge	276	11	201	2	32	522

	2023 HK$'million	2022 HK$'million
Expenses relating to short-term leases	58	62
Total cash outflow for the leases	254	176
Additions to right-of-use assets	527	515

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 2023, 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 2023, right-of-use assets with a net book value of HK$34 million (2022: HK$37 million) were pledged as security for the Group's bank borrowings (note 30(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.

	2023 HK$'million	2022 HK$'million
As at 1 January	8,265	9,034
Exchange adjustments	(118)	(776)
(Decrease)/increase in fair value (note 7)	(7)	7
Addition	1	—
Transfer from right-of-use assets	7	—
Transfer from property, plant and equipment	81	—
As at 31 December	8,229	8,265

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 2023: HK$3,141 million 2022: HK$3,185 million	Income approach	Monthly market rent, taking into account the growth rate and rent of comparables, at a weighted average of RMB77 (2022: RMB80) 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% (2022: 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 2023: HK$4,609 million 2022: HK$4,583 million	Market comparison approach	Market unit rate, taking into account the transaction dates, floor areas, locations and conditions of the property, which ranged from RMB68,807 to RMB69,725 (2022: RMB71,560 to RMB75,229) 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 2023 are set out in note 40.

(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	
	2023	2022	2023	2022	2023 HK$'million	2022 HK$'million
Shantou China Merchants Port Group Co., Ltd. ("SPG")	40.00%	40.00%	40.00%	40.00%	4,221	4,284
Gainpro Resources Limited ("Gainpro")	35.00%	35.00%	35.00%	35.00%	4,777	4,806
Individually immaterial subsidiaries with non-controlling interests					8,170	10,271
					17,168	19,361

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

Summarised financial information of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows in respect of the SPG Group and the Gainpro Group is set out below:

	2023	
	SPG Group HK$'million	Gainpro Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	467	275
Other income and other gains	89	7
Expenses and taxation	(723)	(353)
Loss and other comprehensive expense for the year	(167)	(71)
Loss and other comprehensive expense for the year, attributable to:		
Equity holders of the Company	(166)	(30)
Non-controlling interests	(1)	(41)
	(167)	(71)
Dividends paid to non-controlling interests	—	—
Financial information of the consolidated statement of cash flows		
Net cash inflow from operating activities	97	158
Net cash outflow from investing activities	(114)	(75)
Net cash (outflow)/inflow	(17)	83

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

	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)

Summarised financial information of the consolidated statement of financial position of the SPG Group and the Gainpro Group is set out below:

	2023		2022	
	SPG Group HK$'million	**Gainpro Group HK$'million**	SPG Group HK$'million	Gainpro Group HK$'million
Non-current assets	**7,979**	**10,060**	8,209	10,176
Current assets	**4,068**	**279**	4,062	193
Current liabilities	**(651)**	**(118)**	(673)	(103)
Non-current liabilities	**(937)**	**(2)**	(985)	(1)
	10,459	**10,219**	10,613	10,265
Equity attributable to:				
Equity holders of the Company	**6,238**	**5,442**	6,329	5,459
Non-controlling interests	**4,221**	**4,777**	4,284	4,806
	10,459	**10,219**	10,613	10,265

(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.

(d) During the year ended 31 December 2023, Fortune Centre Group Limited, a wholly-owned subsidiary of the Company, entered into a shareholders agreement (the "Shareholders Agreement") with Access Engineering PLC and Sri Lanka Ports Authority, in relation to the establishment and governance of South Asia Commercial and Logistics Hub Limited (the "Project Company") for the implementation of South Asia Commercial and Logistics Hub Project ("SACLH Project"), a logistics centre in the Port of Colombo, which is located at the Western coast of Sri Lanka. The Project Company will be responsible for the financing, design, construction, development, operation, management and maintenance of the SACLH Project as a public private partnership on a "Build-Operate-Transfer" basis.

Pursuant to the Shareholders Agreement, the Group shall have 70% interest in the Project Company. The Project Company is a subsidiary of the Group as the Group has the right to appoint the majority of board members of the board of directors, which is the authority to have power to direct the relevant activities of the Project Company.

(e) During the year ended 31 December 2023, Peak Goal International Limited, a wholly-owned subsidiary of the Company entered into a repurchase agreement ("repurchase agreement") with West Sea Port Management Limited, in relation to repurchase the 30% shareholding of Oasis King International Limited ("OKIL"), originally a non-wholly-owned subsidiary of the Company. The consideration of 30% shareholding amounts to Euro105 million (approximately HK$877 million), which was fully settled on 30 October 2023. The shareholding of OKIL is 100% after the repurchasing.

20. INTERESTS IN ASSOCIATES

	2023 HK$'million	2022 HK$'million
Share of net assets of associates, net of impairment:		
Listed associates	**43,636**	40,701
Unlisted associates	**31,022**	29,696
	74,658	70,397
Goodwill:		
Listed associates	**2,752**	2,791
Unlisted associates	**2,451**	2,468
	5,203	5,259
Total	**79,861**	75,656
Fair value of the listed associates owned by the Group (Note)	**36,998**	40,889

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.

The management of the Group carried out an assessment as at 31 December 2023 and 2022 for whether there is any impairment required or any indication that the impairment loss recognised in prior years for the listed associate may no longer exist or may be decreased. Based on the assessment performed for these listed associates, no impairment/reversal of impairment recognised during both years. The cumulative impairment loss recognised as at 31 December 2023 is HK$397 million (31 December 2022: HK$397 million).

Particulars of the Group's principal associates at 31 December 2023 are set out in note 41.

All of the Group's associates are accounted for using equity method in the consolidated financial statements.

The Group's material associate at the end of the reporting period is Shanghai International Port (Group) Co., Ltd. ("SIPG"). 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	
	2023 HK$'million	2022 HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	**41,716**	43,404
Profit for the year, attributable to equity holders of the associate	**15,112**	20,135
Other comprehensive expense for the year, attributable to equity holders of the associate	**(636)**	(537)
Total comprehensive income for the year, attributable to equity holders of the associate	**14,476**	19,598
Dividends received from the associate by the Group	**1,015**	1,457
Financial information of consolidated statement of financial position		
Non-current assets	**169,753**	155,219
Current assets	**58,457**	51,999
Current liabilities	**(25,203)**	(28,958)
Non-current liabilities	**(49,514)**	(39,298)
Net assets of the associate	**153,493**	138,962
Reconciliation to the carrying amounts of interests in the associate:		
Net assets of the associate	**153,493**	138,962
Less: non-controlling interests	**(14,367)**	(9,905)
Net assets attributable to equity holders of the associate	**139,126**	129,057
Proportion of the Group's interests in the associate	**28.05%**	28.05%
Net assets attributable to the Group's interests in the associate	**39,025**	36,200
Goodwill	**2,749**	2,789
Carrying amount of the Group's interests in the associate	**41,774**	38,989
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	**35,315**	39,043

20. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2023 HK$'million	2022 HK$'million
The Group's share of:		
Profit for the year	**1,030**	2,231
Other comprehensive income/(expense)	**1,266**	(414)
Total comprehensive income	**2,296**	1,817
Aggregate carrying amount of the Group's interests in these associates	**38,087**	36,667

21. INTERESTS IN JOINT VENTURES

	2023 HK$'million	2022 HK$'million
Share of net assets of joint ventures	**8,327**	9,319

Particulars of the Group's principal joint ventures at 31 December 2023 are set out in note 42.

As at 31 December 2023 and 2022, in the opinion of the directors of the Company, the Group has no individually material joint venture and no 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:

	2023 HK$'million	2022 HK$'million
The Group's share of:		
Profit for the year	**377**	317
Other comprehensive (expense)/income	**(969)**	204
Total comprehensive (expense)/income	**(592)**	521

22. OTHER FINANCIAL ASSETS

	2023 HK$'million	2022 HK$'million
Financial assets at FVTPL (Note (a))	**5,870**	3,957
Equity instruments at FVTOCI (Note (b))	**10**	30
Advances to associates (Note (c))	**272**	3,372
Advance to a joint venture (Note (d))	**1,016**	955
Compensation receivable from SLRC	**2,971**	3,014
	10,139	11,328
Analysed as:		
Non-current	**6,801**	8,860
Current	**3,338**	2,468
	10,139	11,328

Notes:

(a) Financial assets at FVTPL

	2023 HK$'million	2022 HK$'million
Listed equity investment in Hong Kong	**174**	156
Listed equity investments in Mainland China	**2,365**	2,337
Structured deposits	**3,330**	1,461
Other unlisted equity investments	**1**	3
	5,870	3,957

(b) Equity instruments at FVTOCI

	2023 HK$'million	2022 HK$'million
Unlisted equity investments in Mainland China	**10**	30

(c) Included in the amount of an advance to an associate of Euro26 million (equivalent to approximately HK$225 million) for the year ended 31 December 2023 is interest-bearing at a rate of 6.15% 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$38 million) for the year ended 31 December 2023 is interest-bearing at 1-year loan prime rate (adjust annually) of 3.65% per annum and repayable in 2026.

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 settled during the year.

(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 2034 (2022: repayable in 2023).

23. OTHER NON-CURRENT ASSETS

	2023 HK$'million	2022 HK$'million
Prepayments and deposits for purchase of other non-current assets	**93**	216
Others	**40**	42
	133	258

24. INVENTORIES

	2023 HK$'million	2022 HK$'million
Raw materials	**187**	162
Spare parts and consumables	**—**	13
	187	175

25. DEBTORS, DEPOSITS AND PREPAYMENTS

	2023 HK$'million	2022 HK$'million
Trade debtors from contracts with customers	**928**	1,005
Less: allowance for credit losses (Note (a))	**(90)**	(77)
Trade debtors, net (Notes (b), (c) and (d))	**838**	928
Amounts due from fellow subsidiaries (Notes (c) and (e))	**60**	33
Amount due from immediate holding company (Notes (c) and (e))	**4**	148
Amounts due from associates (Notes (c) and (e))	**89**	72
Dividend receivables (Note (c))	**249**	398
	1,240	1,579
Other debtors, deposits and prepayments	**609**	678
	1,849	2,257

25. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

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

	2023 HK$'million	2022 HK$'million
As at 1 January	**77**	59
Allowance for credit losses	**20**	24
Reversal of allowance	**(1)**	(2)
Written-off	**(7)**	—
Exchange adjustments	**1**	(4)
As at 31 December	**90**	77

The allowance for credit losses have been included in other income and other gains/(losses), 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 (2022: 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:

	2023 HK$'million	2022 HK$'million
0 - 90 days	**766**	871
91 - 180 days	**31**	33
181 - 365 days	**30**	15
Over 365 days	**11**	9
	838	928

(c) As at 31 December 2023, trade debtors of HK$700 million (2022: HK$743 million) and other financial assets of HK$402 million (2022: HK$651 million) are neither past due nor impaired.

(d) As at 31 December 2023, included in the Group's trade debtors balance are debtors with aggregate carrying amount (before any allowance for credit losses) of HK$228 million (2022: HK$262 million) which are past due as at the reporting date. Out of the past due balances, HK$52 million (2022: HK$48 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

	2023 HK$'million	2022 HK$'million
Cash at bank and in hand	7,884	6,794
Short-term time and other deposits (Note (a))	4,399	2,831
Cash and cash equivalents	12,283	9,625
Other deposits (Note (b))	48	4
	12,331	9,629

Notes:

(a) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 4.52% (2022: 2.62%) 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 2023 was approximately 2.30% per annum. These deposits are not convertible to cash until maturity.

27. SHARE CAPITAL

	The Company			
	Number of shares		Share capital	
	2023	2022	2023 HK$'million	2022 HK$'million
Issued and fully paid:				
As at 1 January	4,003,383,046	3,785,619,729	46,668	44,017
Issue of scrip dividend shares (Note)	194,626,140	217,763,317	2,063	2,651
As at 31 December	4,198,009,186	4,003,383,046	48,731	46,668

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
2022 final dividend	21 July 2023	127,597,960
2023 interim dividend	22 November 2023	67,028,180
2023 Total		194,626,140
2022 Total		217,763,317

28. 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$225 million, representing 3.6% of the perpetual capital securities issued, was paid to the holders of the perpetual capital securities. The Group has redeemed US$600 million of the 2020 Perpetual Capital Securities in October 2023.

29. OTHER RESERVES

	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserve HK$'million (Note)	Total HK$'million
As at 1 January 2023	971	642	(4,620)	3,481	474
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(1,324)	—	(1,324)
Release of reserves upon disposal of a subsidiary	—	—	109	(52)	57
Surplus on revaluation of an owner occupied property upon change of use to investment property	—	52	—	—	52
Share of reserves of associates	—	1,026	—	—	1,026
Other comprehensive income/(expense) for the year, net of tax	—	1,078	(1,215)	(52)	(189)
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	—	—	—	107	107
Acquisition of additional interest in a subsidiary	1	—	—	—	1
Contribution from immediate holding company	1	—	—	—	1
Share of other changes in equity attributable to equity holders of associates and joint ventures	301	—	—	—	301
Total transactions with owners for the year	303	—	—	107	410
As at 31 December 2023	1,274	1,720	(5,835)	3,536	695

29. OTHER RESERVES (CONTINUED)

	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserve HK$'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

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.

30. BANK AND OTHER BORROWINGS

	2023 HK$'million	2022 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	15,469	6,020
– fixed rate	—	224
Unsecured long-term fixed rate bank loans	28	28
Long-term variable rate bank loans		
– unsecured	6,560	5,868
– secured (Note (a))	1,370	1,241
	23,427	13,381
Loans from a fellow subsidiary (Note (b))	425	269
Loan from immediate holding company (Note (c))	—	1,458
Notes payable (Note (d))		
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	—	7,008
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	3,903	3,890
– US$500 million, 4% guaranteed listed notes maturing in 2027	3,897	3,885
– US$600 million, 5% guaranteed listed notes maturing in 2028	4,656	4,638
	12,456	19,421
Total	36,308	34,529
Less: amounts due within one year included under current liabilities	(16,062)	(16,561)
Non-current portion	20,246	17,968

Notes:

(a) As at 31 December 2023 and 2022, the following assets are pledged against the Group's secured bank loans:

	2023 HK$'million	2022 HK$'million
Right-of-use assets (note 17)	34	37

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

(b) The amount as at 31 December 2023 and 2022 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 3.00% (2022: 1.20% to 4.06%) per annum.

(c) The amount was unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum and fully repaid during the year.

30. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(d) Listed notes issued by subsidiaries of the Company amounting to HK$12,456 million (2022: HK$19,421 million) are secured by corporate guarantees provided by the Company.

The effective interest rates of the Group's notes payable are as follows:

	2023	2022
US$900 million, 4.375% guaranteed listed notes maturing in 2023	N/A	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%	4.09%
US$600 million, 5% guaranteed listed notes maturing in 2028	5.18%	5.18%

The fair value of the listed notes payable as at 31 December 2023 was HK$12,461 million (2022: HK$19,207 million). The fair value of the listed notes payable was determined with reference to quoted market price. Other than the listed notes payable, the carrying amounts of the bank and other borrowings approximate their fair values as at 31 December 2023 and 2022.

(e) 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.

(f) As at 31 December 2023, the Group has undrawn facilities of bank loan and other debt financing instruments amounting to HK$19,418 million (2022: HK$26,198 million), of which HK$6,690 million (2022: HK$12,204 million) and HK$12,728 million (2022: HK$13,994 million) are committed and uncommitted credit facilities respectively.

(g) The bank and other borrowings as at 31 December 2023 and 2022 are repayable as follows:

	Bank loans		Loans from a fellow subsidiary		Loan from immediate holding company		Notes payable		Total	
	2023 HK$'million	2022 HK$'million	2023 HK$'million	2022 HK$'million	2023 HK$'million	2022 HK$'million	2023 HK$'million	2022 HK$'million	2023 HK$'million	2022 HK$'million
Within 1 year	15,795	8,091	267	4	—	1,458	—	7,008	16,062	16,561
Between 1 and 2 years	4,715	592	—	217	—	—	3,903	—	8,618	809
Between 2 and 5 years	1,587	4,071	—	—	—	—	8,553	7,775	10,140	11,846
Within 5 years	22,097	12,754	267	221	—	1,458	12,456	14,783	34,820	29,216
More than 5 years	1,330	627	158	48	—	—	—	4,638	1,488	5,313
Total	23,427	13,381	425	269	—	1,458	12,456	19,421	36,308	34,529

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

	2023	2022
Hong Kong dollar	5.57% to 6.18%	4.87% to 5.20%
Renminbi	1.20% to 3.60%	1.20% to 4.06%
Euro	N/A	3.72% to 4.25%
United States dollar	5.84% to 5.85%	5.17% to 7.08%
Brazilian Real	12.45% to 12.90%	13.58%

31. LEASE LIABILITIES

	2023 HK$'million	2022 HK$'million
Lease liabilities payable:		
Within 1 year	88	65
Between 1 and 2 years	50	13
Between 2 and 5 years	68	30
More than 5 years	976	842
Total	1,182	950
Less: Amount due for settlement within one year included shown under current liabilities	(88)	(65)
Non-current portion	1,094	885

The lease liabilities ranged from 1 to 50 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 2023 is 5.09% (2022: 5.24%).

Lease liabilities of HK$1,182 million (2022: HK$950 million) are recognised with related right-of-use assets of HK$978 million (2022: HK$751 million) as at 31 December 2023. 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 35.1 (iii).

32. OTHER NON-CURRENT LIABILITIES

	2023 HK$'million	2022 HK$'million
Concession liabilities (Note (a))	3,292	3,033
Royalty provision (Note (b))	883	887
Net deferred benefit obligations (Note (c))	551	605
Deferred income	382	384
Others	123	49
	5,231	4,958

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 current portion of the TCP Concession Liabilities amounting to HK$109 million (2022: HK$90 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$86 million (2022: HK$84 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 2023 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$26 million (2022: HK$24 million) has been included in administrative expenses.

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

33. DEFERRED TAXATION

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

	2023 HK$'million	2022 HK$'million
As at 1 January	**4,443**	4,457
Adjustments for adoption of amendments to HKAS 12	**(62)**	—
As at 1 January (adjusted)	**4,381**	4,457
Exchange adjustments	**(13)**	(282)
Disposal of a subsidiary (note 37)	**(424)**	12
Charged to consolidated statement of profit or loss (note 12)	**221**	256
As at 31 December	**4,165**	4,443

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$1,072 million (2022: HK$1,570 million) to be carried forward against future taxable income. These amount expire in the following years:

	2023 HK$'million	2022 HK$'million
2023	**—**	541
2024	**408**	419
2025	**313**	317
2026	**91**	93
2027	**211**	200
2028	**49**	—
	1,072	1,570

33. 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	
	2023 HK$'million	2022 HK$'million	**2023 HK$'million**	2022 HK$'million	**2023 HK$'million**	2022 HK$'million	**2023 HK$'million**	2022 HK$'million
As at 1 January	**(2,277)**	(2,170)	**(1,757)**	(1,863)	**(732)**	(818)	**(4,766)**	(4,851)
Adjustments for adoption of amendments to HKAS 12	**—**	—	**—**	—	**(2)**	—	**(2)**	—
As at 1 January (adjusted)	**(2,277)**	(2,170)	**(1,757)**	(1,863)	**(734)**	(818)	**(4,768)**	(4,851)
Exchange adjustments	**29**	181	**(9)**	75	**12**	45	**32**	301
(Charged)/credited to profit or loss	**(387)**	(288)	**100**	31	**70**	41	**(217)**	(216)
Disposal of a subsidiary (note 37)	**62**	—	**362**	—	**—**	—	**424**	—
As at 31 December	**(2,573)**	(2,277)	**(1,304)**	(1,757)	**(652)**	(732)	**(4,529)**	(4,766)

Deferred tax assets

	Provision		Others		Total	
	2023 HK$'million	2022 HK$'million	**2023 HK$'million**	2022 HK$'million	**2023 HK$'million**	2022 HK$'million
As at 1 January	**30**	26	**293**	368	**323**	394
Adjustments for adoption of amendments to HKAS 12	**—**	—	**64**	—	**64**	—
As at 1 January (adjusted)	**30**	26	**357**	368	**387**	394
Exchange adjustments	**—**	(2)	**(19)**	(17)	**(19)**	(19)
Disposal of a subsidiary	**—**	—	**—**	(12)	**—**	(12)
Credited/(charged) to profit or loss	**5**	6	**(9)**	(46)	**(4)**	(40)
As at 31 December	**35**	30	**329**	293	**364**	323

As at 31 December 2023, the Group has unrecognised deductible temporary difference of HK$667 million (2022: HK$620 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.

34. CREDITORS AND ACCRUALS

	2023 HK$'million	2022 HK$'million
Trade creditors (Note (a))	**359**	475
Contract liabilities	**100**	91
Amounts due to fellow subsidiaries (Note (b))	**53**	50
Amounts due to immediate holding company (Note (b))	**4**	—
Amounts due to associates (Note (b))	**357**	280
Amounts due to joint ventures (Note (b))	**—**	2
Amounts due to related parties (Note (b))	**5**	—
Other payables and accruals	**2,521**	2,616
	3,399	3,514

Notes:

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

	2023 HK$'million	2022 HK$'million
0 - 90 days	**342**	419
91 - 180 days	**7**	18
181 - 365 days	**4**	7
Over 365 days	**6**	31
	359	475

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

35. FINANCIAL RISK MANAGEMENT

35.1 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 2023, 46% (2022: 58%) of the Group's borrowings are denominated in United States dollar, 32% (2022: 37%) are denominated in Renminbi, 0% (2022: 1%) are denominated in Euro, 1% (2022: 1%) are denominated in Brazilian Real and 21% (2022: 3%) 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.

At 31 December 2023, if Renminbi had strengthened/weakened against the other currencies by 3% (2022: 3%) with all other variables held constant, profit before taxation would have been approximately HK$98 million lower/higher (2022: HK$215 million lower/higher) mainly as a result of increase/decrease (2022: increase/decrease) in net foreign exchange losses on translation of cash and cash equivalents, debtors, creditors and bank and other borrowings denominated in non-functional currencies of the relevant group companies.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

At 31 December 2023, if United States dollar had strengthened/weakened against the other currencies by 0.5% (2022: 0.5%) with all other variables held constant, profit before taxation would have been approximately HK$74 million lower/higher (2022: HK$96 million lower/higher) mainly as a result of increase/decrease (2022: increase/decrease) in net foreign exchange losses 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 2023, if there had been a 10% (2022: 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$254 million (2022: HK$249 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 2023 would increase/decrease by HK$1 million (2022: 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.

(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 2023, 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 2023, if interest rates on borrowings had been 100 basis points (2022: 100 basis points) higher/lower with all other variables held constant, profit before taxation would have been HK$236 million (2022: HK$146 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. As at 31 December 2023, 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 38(d).

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

Regarding 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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	2023 Gross carrying amount		2022 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)	497		609	
			B	Lifetime ECL (not credit-impaired)	306		265	
			C	Lifetime ECL (not credit-impaired)	38		54	
			D	Lifetime ECL (credit-impaired)	87	928	77	1,005
Amounts due from fellow subsidiaries (Note (b))	25	N/A	B	12m ECL	60	60	33	33
Amount due from immediate holding company (Note (b))	25	N/A	B	12m ECL	4	4	148	148
Amounts due from associates (Note (b))	25	N/A	B	12m ECL	89	89	72	72
Advances to associates (Note (b))	22	N/A	B	12m ECL	272	272*	3,372	3,372*
Advance to a joint venture (Note (b))	22	N/A	B	12m ECL	1,016	1,016*	955	955*

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

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount		2022 Gross carrying amount	
					HK$'million	HK$'million	HK$'million	HK$'million
Financial assets at amortised cost (continued)								
Dividend receivables (Note (b))	25	N/A	A	12m ECL	249	249	398	398
Compensation receivable from SLRC (Note (b))	22	N/A	B	12m ECL	2,971	2,971	3,014	3,014
Other debtors (Note (b))	25	N/A	B	12m ECL	425		458	
			D	Lifetime ECL (credit-impaired)	1,055	1,480	1,122	1,580
Cash and bank balances (Note (b))	26	Aa3 to Ba2	N/A	12m ECL	12,331	12,331	9,629	9,629
Other item								
Financial guarantee contracts (Note (c))	38(d)	N/A	A	12m ECL	436	436	299	299

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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
2023			
Amounts due from fellow subsidiaries	—	**60**	**60**
Amounts due from immediate holding company	—	**4**	**4**
Amounts due from associates	—	**89**	**89**
Advances to associates	—	**272**	**272**
Advance to a joint venture	—	**1,016**	**1,016**
Dividend receivables	—	**249**	**249**
Compensation receivable from SLRC	—	**2,971**	**2,971**
Other debtors	**1,055**	**425**	**1,480**
Cash and bank balances	—	**12,331**	**12,331**
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

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

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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 2023	Average loss rate 2022
A	**0.10%**	0.04%
B	**0.20%**	0.22%
C	**5.92%**	3.00%
D	**99.90%**	96.89%

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 2022	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
Impairment losses recognised	**1**	**19**	**20**
Impairment losses reversed	**—**	**(1)**	**(1)**
Written-off	**—**	**(7)**	**(7)**
Exchange adjustments	**(1)**	**2**	**1**
As at 31 December 2023	**3**	**87**	**90**

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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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 2022	926
Impairment losses recognised	255
Impairment loss reversed	(1)
Exchange adjustments	(58)
As at 31 December 2022	1,122
Impairment losses recognised	**4**
Impairment loss reversed	**(52)**
Exchange adjustments	**(19)**
As at 31 December 2023	**1,055**

The Group makes full impairment 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$436 million as at 31 December 2023 (2022: HK$299 million). As at 31 December 2023 and 2022, 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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 30(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 have 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$2,658 million as at 31 December 2023. 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	
	2023 HK$'million	2022 HK$'million	**2023 HK$'million**	2022 HK$'million	**2023 HK$'million**	2022 HK$'million	**2023 HK$'million**	2022 HK$'million	**2023 HK$'million**	2022 HK$'million
Interest-bearing debts	**17,486**	17,690	**9,375**	1,558	**11,257**	13,203	**1,685**	5,582	**39,803**	38,033
Other financial liabilities	**3,299**	3,423	**204**	178	**629**	569	**5,703**	5,598	**9,835**	9,768
Lease liabilities	**141**	113	**97**	60	**203**	167	**2,430**	1,381	**2,871**	1,721
Financial guarantee contracts	**—**	—	**—**	—	**—**	—	**436**	299	**436**	299

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.1 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.2 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 2023 and 2022 were as follows:

	2023 HK$'million	2022 HK$'million
Total interest-bearing debts and lease liabilities (notes 30 and 31)	**37,490**	35,479
Less: cash and bank balances (note 26)	**(12,331)**	(9,629)
Net interest-bearing debts and lease liabilities	**25,159**	25,850
Net gearing ratio:		
Net interest-bearing debts and lease liabilities divided by total equity	**20.8%**	21.1%

35.3 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.3 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 2023 and 2022:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
At 31 December 2023				
Financial assets at FVTPL	**2,539**	**3,330**	**1**	**5,870**
Equity instruments at FVTOCI	**—**	**—**	**10**	**10**
	2,539	**3,330**	**11**	**5,880**
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

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 2023, if the foreign exchange rate was 5% (2022: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (2022: insignificant). As at 31 December 2023, if the gold price was 5% (2022: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (2022: 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 2023, if any of the significant unobservable inputs above was 5% (2022: 5%) higher/lower while all the other variables were held constant, the changes in fair value of these unlisted equity instruments would be insignificant (2022: 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

35.3 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 2023 and 2022:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million
Year ended 31 December 2023		
As at 1 January 2023	**3**	**30**
Disposal of a subsidiary	—	**(20)**
Disposal	**(2)**	—
As at 31 December 2023	**1**	**10**
Year ended 31 December 2022		
As at 1 January 2022	3	32
Exchange adjustments	—	(2)
As at 31 December 2022	3	30

(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 30, 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.

36. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2023 HK$'million	2022 HK$'million
Earnings before finance costs, net, taxation and share of profits less losses of associates and joint ventures	**4,243**	3,417
Adjustments for:		
Depreciation and amortisation	**2,209**	2,373
Net change in fair value of investment properties	**7**	(7)
Net change in fair value of financial assets at FVTPL	**(99)**	358
Net (reversal)/allowance for credit losses of trade debtors and other debtors	**(29)**	276
Net exchange losses	**78**	481
Net loss on disposal of property, plant and equipment and right-of-use assets	**22**	86
Operating indemnification	**—**	(249)
Gain on disposal of a subsidiary	**(115)**	—
Net loss on deemed disposal of partial interest in an associate	**—**	3
Operating profit before working capital changes	**6,316**	6,738
Increase in inventories	**(18)**	(21)
(Increase)/decrease in debtors, deposits and prepayments	**(199)**	105
(Decrease)/increase in creditors and accruals	**(35)**	317
Net cash inflow from operations	**6,064**	7,139

36. 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$'million	Loans from a fellow subsidiary HK$'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 2023	13,381	269	1,458	19,421	950	351	280	34	—	—	36,144
Financing cash flows	10,171	147	(1,324)	(7,033)	(146)	(1,650)	112	(434)	(1,248)	(225)	(1,630)
Non-cash changes											
Exchange adjustments	(125)	(12)	(146)	68	28	(151)	(35)	(13)	—	—	(386)
Issue of shares in lieu of dividends	—	—	—	—	—	—	—	—	(2,063)	—	(2,063)
Interest expense	—	21	12	—	50	1,691	—	—	—	—	1,774
New leases entered/lease modified	—	—	—	—	300	—	—	—	—	—	300
Declaration of distribution	—	—	—	—	—	—	—	—	—	225	225
Declaration of dividend	—	—	—	—	—	—	—	502	3,311	—	3,813
At 31 December 2023	23,427	425	—	12,456	1,182	241	357	89	—	—	38,177

36. 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 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. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2023

In August 2023, the Group completed the disposal of its entire 45% equity interest in Ningbo Daxie China Merchants International Terminals Co., Ltd. ("Ningbo Daxie"), a non-wholly-owned subsidiary of the Company, to Ningbo Zhoushan Port Company Limited for a total cash consideration of approximately RMB1,845 million (equivalent to approximately HK$2,021 million (the "Disposal"). Upon completion of the Disposal, Ningbo Daxie ceased to be a subsidiary of the Company. The net assets of Ningbo Daxie at the date of disposal were as follows:

	HK$'million
Analysis of assets and liabilities of Ningbo Daxie over which control was lost:	
Property, plant and equipment (note 16)	2,634
Right-of-use assets	1,233
Debtors, deposits and prepayments	167
Cash and bank balances	35
Other financial assets	20
Inventories	10
Deferred tax liabilities (note 33)	(424)
Creditors and accruals	(110)
Other non-current liabilities	(28)
Taxation payable	(7)
Net assets disposed of	3,530
Gain on disposal:	
Consideration	2,021
Net assets disposed of	(3,530)
Non-controlling interests	1,941
Goodwill (note 15)	(206)
Cumulative reserves reclassified from equity to profit or loss upon disposal	(109)
Costs directly attributable to the disposal	(2)
Gain on disposal	115
Net cash inflow arising on disposal:	
Cash consideration received during the year	2,021
Less: Cash and bank balances disposed of	(35)
Payment of tax arising on disposal	(143)
Payment of costs attributable to the disposal	(2)
	1,841

37. DISPOSAL OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2023 (continued)

The cash flows arose from Ningbo Daxie prior to the Disposal is set out below:

	2023 HK$'million	2022 HK$'million
Net cash inflow from operating activities	**207**	657
Net cash outflow from investing activities	**(31)**	(293)
Net cash outflow from financing activities	**(230)**	(479)
Net cash outflow	**(54)**	(115)

38. COMMITMENTS AND CONTINGENT LIABILITIES

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

	2023 HK$'million	2022 HK$'million
Group		
Property, plant and equipment and intangible assets	**936**	1,375
Joint ventures		
Property, plant and equipment	**6**	32
	942	1,407

38. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

	2023 HK$'million	2022 HK$'million
Group		
Ports projects (Note)	**478**	6
Joint ventures		
Land development project	**12**	13
	490	19

Note: On 20 November 2023, the Group entered into a share purchase agreement with PT Episenta Utama Investasi, an independent third party, for the acquisition of 51% equity interest in PT Nusantara Pelabuhan Handal Tbk, at a consideration of US$61.2 million (approximately HK$478 million) subject to fulfilment of the condition precedents under the share purchase agreement. Up to the issuance of these consolidated financial statements, the acquisition has not yet been completed.

(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:

	2023 HK$'million	2022 HK$'million
Within one year	**228**	360
In the second year	**154**	152
In the third year	**126**	130
In the fourth year	**76**	116
In the fifth year	**34**	87
After the fifth year	**42**	95
	660	940

38. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(d) Contingent liabilities

(i) As at 31 December 2023, 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$1,044 million (2022: HK$313 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 2023 and 2022, 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$211 million (2022: HK$74 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 (2022: HK$225 million) and the aggregate amount utilised by the relevant related party amounted to HK$172 million (2022: 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 2023 and 2022, 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.

39. 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 2023 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	**2023 HK$'million**	2022 HK$'million
Rental income from	(i)		
– fellow subsidiaries		**58**	71
– joint ventures		**23**	18
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		**3**	4
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		**7**	16
Service income from	(ii)		
– fellow subsidiaries		**110**	128
– associates		**36**	31
– joint ventures		**86**	81
– related parties		**59**	—
Service fees paid to	(iii)		
– fellow subsidiaries		**112**	76
– associates		**107**	144
– joint ventures		**21**	22
– related parties		**36**	42
Interest income from			
– a fellow subsidiary	(iv)	**19**	14
– associates	(v)	**155**	200
– a joint venture	(v)	**62**	21
– related parties	(vi)	**17**	21
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		**12**	55
– fellow subsidiaries		**21**	11

39. 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 2023, the Group has recognised an addition of right-of-use-assets of HK$139 million (2022: HK$109 million) and lease liabilities of HK$139 million (2022: HK$109 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 2023, the Group placed deposits of HK$1,472 million (2022: HK$1,681 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% (2022: 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 2023, the Group placed deposits of HK$2,958 million (2022: HK$2,334 million) with China Merchants Bank Co., Ltd., an associate of CMG.

(vii) Interest expenses were charged at interest rates as specified in note 30 on the outstanding loans from immediate holding company and fellow subsidiaries.

(viii) In previous years, a subsidiary of the Company entered into a transaction with a related party for leasing of a parcel of land located in Djibouti. At inception of the lease, the Group had recognised a right-of-use asset amounting to HK$217 million. Lease payment of HK$217 million had been made by the Group during the previous years. As at 31 December 2023, the corresponding carrying amount of the right-of-use asset was HK$313 million (2022: HK$208 million).

(ix) During the year ended 31 December 2023, the Group acquired property, plant and equipment of HK$1 million (2022: HK$4 million) from an associate (2022: an associate).

(x) During the year ended 31 December 2023, the Group disposed of its entire interest in Ningbo Daxie to Ningbo Zhoushan Port Company Limited for a cash consideration of approximately RMB1,845 million (equivalent to approximately HK$2,021 million). Further details are set in note 37.

The balances with entities within CMG Group as at 31 December 2023 and 31 December 2022 are disclosed in notes 22, 25, 30 and 34.

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 the Annual Report, the other transactions as set out in this note 39(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.

39. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	2023 HK$'million	2022 HK$'million
Salaries and other short-term employee benefits	21	26

40. 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 — Directly 2023 %	Directly 2022 %	Indirectly 2023 %	Indirectly 2022 %	Principal activities
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

40. 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		
			2023 %	2022 %	2023 %	2022 %	
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
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	—	—	50.00	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 (e))	PRC	RMB1,209,090,000	N/A	—	N/A	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

40. 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 2023 %	Directly 2022 %	Indirectly 2023 %	Indirectly 2022 %	Principal activities
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
South Asia Commercial and Logistics Hub Limited (Note (h))	Republic of Sri Lanka	US$37,142,858	–	–	70.00	70.00	Provision of port related logistics services in Colombo, Sri Lanka
TCP Participações S.A.	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	RMB1,167,000,000	–	–	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

40. 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 50% 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 37.

(f) This entity has issued HK$3,903 million (2022: HK$3,890 million) of listed notes at the end of the year.

(g) This entity has issued HK$8,553 million (2022: HK$15,531 million) of listed notes and HK$1,522 million (2022: HK$6,246 million) of listed perpetual capital securities at the end of the year.

(h) Further details are set out in note 19 (d).

41. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest held by the Company 2023 %	2022 %	Principal activities
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
Shanghai International Port (Group) Co., Ltd. (A shares listed on the Shanghai Stock Exchange) (Note (a))	PRC	**28.05**	28.05	Ports and container terminal business and related services

41. 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
		2023	2022	
		%	%	
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.

42. 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
		2023	2022	
		%	%	
Asia Airfreight Terminal Company Limited	Hong Kong	**34.60**	34.60	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)	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.	Republic of Djibouti	**23.50**	23.50	Land development

Note: Sino-foreign joint ventures.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 **HK$'million**	2022 HK$'million
ASSETS		
Non-current assets		
Property, plant and equipment	**359**	373
Interests in subsidiaries	**79,628**	82,561
Interests in associates	**632**	632
Prepayment	**6**	6
	80,625	83,572
Current assets		
Debtors, deposits and prepayments	**23**	16
Advances to subsidiaries	**403**	783
Advances to associates	**42**	42
Cash and bank balances	**4,134**	1,696
	4,602	2,537
Total assets	**85,227**	86,109
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**48,731**	46,668
Reserves (Note)	**3,567**	3,425
Proposed dividend (Note)	**2,015**	2,402
Total equity	**54,313**	52,495
LIABILITIES		
Non-current liability		
Bank and other borrowings	**6,241**	3,362
Current liabilities		
Advances from subsidiaries	**10,107**	23,462
Creditors and accruals	**351**	291
Bank and other borrowings	**14,215**	6,499
	24,673	30,252
Total liabilities	**30,914**	33,614
Total equity and liabilities	**85,227**	86,109
Net current liabilities	**(20,071)**	(27,715)
Total assets less current liabilities	**60,554**	55,857

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. Feng Boming
DIRECTOR

Mr. Xu Song
DIRECTOR

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

Note: The reserves of the Company at 31 December 2023 and 2022 are as follows:

	Capital reserve HK$'million (Note)	Retained earnings HK$'million	Total HK$'million
As at 1 January 2023	**2,347**	**3,480**	**5,827**
Profit and total comprehensive income for the year	—	**3,065**	**3,065**
Contribution from immediate holding company	**1**	—	**1**
Dividends	—	**(3,311)**	**(3,311)**
As at 31 December 2023	**2,348**	**3,234**	**5,582**
Retained earnings as at 31 December 2023 representing:			
Reserves		**1,219**	
Proposed dividend		**2,015**	
		3,234	
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	

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.

44. EVENT AFTER THE REPORTING PERIOD

Other than disclosed in note 38 (b), there is no other material event after the reporting period noted.

Corporate Information

BOARD OF DIRECTORS

Mr. Feng Boming[2] *(Chairman)*
Mr. Xu Song[1] *(Vice Chairman and Chief Executive Officer)*
Mr. Yim Kong[2] *(Vice Chairman)*
Mr. Lu Yongxin[1] (Managing Director)
Mr. Tu Xiaoping[1] *(Chief Financial Officer)*
Mr. Yang Guolin[2]
Mr. Chan Hiu Fung Nicholas[3]
Ms. Chan Yuen Sau Kelly[3]
Mr. Li Ka Fai David[3]
Mr. Wong Chi Wing[3]
Ms. Wong Pui Wah[3]

AUDIT COMMITTEE

Mr. Li Ka Fai David[3] *(Chairman)*
Mr. Chan Hiu Fung Nicholas[3]
Ms. Chan Yuen Sau Kelly[3]
Mr. Wong Chi Wing[3]
Ms. Wong Pui Wah[3]

NOMINATION COMMITTEE

Ms. Chan Yuen Sau Kelly[3] *(Chairman)*
Mr. Xu Song[1]
Mr. Chan Hiu Fung Nicholas[3]
Mr. Wong Chi Wing[3]
Ms. Wong Pui Wah[3]

REMUNERATION COMMITTEE

Mr. Chan Hiu Fung Nicholas[3] *(Chairman)*
Mr. Tu Xiaoping[1]
Ms. Chan Yuen Sau Kelly[3]
Mr. Li Ka Fai David[3]
Mr. Wong Chi Wing[3]

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Feng Boming[2] *(Chairman)*
Mr. Xu Song[1]
Mr. Yim Kong[2]
Mr. Lu Yongxin[1]
Ms. Wong Pui Wah[3]

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
China Merchants Bank
DBS Bank Ltd.

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISER

Allen & Overy

STOCK CODE

00144

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