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

Stock Code : 00144

ANNUAL REPORT 2020

WE
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THE
WORLD

Contents

	2020 HK$'million	2019 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**8,945**	8,898	0.5%
Profit attributable to equity holders of the Company	**5,151**	8,362	(38.4%)
Non-recurrent gains, net of tax[1]	**(993)**	(4,199)	(76.4%)
Recurrent profit	**4,158**	4,163	(0.1%)
Earnings per share (HK cents)			
Basic	**146.25**	247.84	(41.0%)
Dividend per share (HK cents)			
Interim dividend	**18.00**	22.00	(18.2%)
Final dividend	**51.00**	58.00	(12.1%)
	69.00	80.00	(13.8%)
Consolidated statement of financial position highlights			
Total assets	**170,064**	149,082	14.1%
Capital and reserves attributable to equity holders of the Company	**87,889**	79,783	10.2%
Net interest-bearing debts and lease liabilities[2]	**28,864**	31,616	(8.7%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**5,822**	6,310	(7.7%)

	2020 HK$'million	2019 HK$'million	Year-on-year changes
Revenue			
Ports operation	**8,304**	8,243	0.7%
Bonded logistics operation	**469**	467	0.4%
Other operations	**172**	188	(8.5%)
Total	**8,945**	8,898	0.5%
EBITDA[3]			
Ports operation	**4,300**	5,157	(16.6%)
Bonded logistics operation	**245**	266	(7.9%)
Other operations	**67**	107	(37.4%)
EBITDA	**4,612**	5,530	(16.6%)
Share of profits less losses of associates and joint ventures	**4,457**	4,295	3.8%
Non-recurrent gains before tax[1]	**1,701**	6,152	(72.4%)
Corporate function	**(55)**	(443)	(87.6%)
Finance costs, net	**(1,524)**	(1,782)	(14.5%)
Taxation	**(1,077)**	(2,518)	(57.2%)
Depreciation and amortisation	**(2,033)**	(1,996)	1.9%
Non-controlling interests and owners of perpetual capital securities	**(930)**	(876)	6.2%
Profit attributable to equity holders of the Company	**5,151**	8,362	(38.4%)

1 For 2020, include gain on resumption of certain land parcels at Shantou, net of tax of HK$775 million, gain on discontinuance of equity accounting for a joint venture, net of tax of HK$912 million, goodwill impairment loss of a subsidiary of HK$621 million, increase in fair value of investment properties, net of tax of HK$105 million, and net loss on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$178 million. For 2019, include gain on resumption of certain land parcels at Qianhai and Shantou, net of tax of HK$3,591 million, gain on deemed disposal of interest in a joint venture, net of tax of HK$416 million, increase in fair value of investment properties, net of tax of HK$76 million, and net gain on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$116 million.

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

3 Earnings before financial costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, unallocated income less expenses and profit attributable to non-controlling interests of the Company and its subsidiaries.

Presence of China Merchants Port Holdings Company Limited

Asia and Oceania

Colombo, Sri Lanka
Colombo International Container Terminals

Hambantota, Sri Lanka
Hambantota International Port Group

Singapore
CMA CGM-PSA Lion Terminal

Busan, South Korea
Busan New Container Terminal

Ho Chi Minh City, Vietnam
Vietnam International Container Terminals

Laem Chabang, Thailand
Laem Chabang International Terminal

Umm Qasr, Iraq
Umm Qasr Terminal

Newcastle, Australia
Port of Newcastle

Europe and Mediterranean Sea

Casablanca, Morocco
Somaport

Tangier, Morocco
Eurogate Tanger

Marsaxlokk, Malta
Malta Freeport Terminals

Fos, France
Eurofos

Le Havre, France
Terminal de France
Terminal Nord

Dunkirk, France
Terminal des Flandres

Montoir, France
Terminal du Grand Ouest

Antwerp, Belgium
Antwerp Gateway

Rotterdam, the Netherlands
Rotterdam World Gateway

Thessaloniki, Greece
Thessaloniki Port Authority

Istanbul, Turkey
Kumport

Odessa, Ukraine
Odessa Terminal

Africa and Americas

Lomé, Togo
Lomé Container Terminal

Lagos, Nigeria
Tin-Can Island Container Terminal

City of Djibouti, Djibouti
Port de Djibouti

Abidjan, Côte d'Ivoire
Terra Abidjan

Paranaguá, Brazil
Terminal de Contêineres de Paranaguá

Kingston, Jamaica
Kingston Freeport Terminal

Miami, United States
South Florida Container Terminal

Houston, United States
Terminal Link Texas

City of Djibouti, Djibouti
Djibouti International Free Trade Zone

Mainland China, Hong Kong and Taiwan

Pearl River Delta

Mega SCT
Chiwan Container Terminal
Mawan Container Terminal
China Merchants Port Services
Shenzhen Haixing Harbour Development
China Merchants Container Services
Modern Terminals
Guangdong Yide Port
Chu Kong River Trade Terminal

China Merchants Bonded Logistics

Yangtze River Delta

Shanghai International Port Group
Ningbo Daxie China Merchants International Terminals
Ningbo Zhoushan Port

South-East Region

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

South-West Region

Zhanjiang Port Group

Kaohsiung, Taiwan

Kao Ming Container Terminal

Bohai Rim

Dalian Port
Qingdao Qianwan United Container Terminal
Qingdao Qianwan West Port United Terminal
Qingdao Port Dongjiakou Ore Terminal
Qingdao Port International
Tianjin Port Container Terminal

China Merchants International Terminal (Qingdao)
Tianjin Haitian Bonded Logistics

Ports Logistics

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

CORPORATE PROFILE

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

CMPort's investment strategy focuses on hub ports in regions that attract foreign investments and are economically vibrant with strong growth of import and export trade.

CMPort's strives to, as a gateway to China's foreign trade and with its expanding global ports portfolio, provide its customers with timely and efficient port and related maritime logistics services by pursuing its management style that emphasises determination, discipline and efficiency. In addition, CMPort also invests in bonded logistics operation for the extension of port's value chain. Through synergies achieved by its existing ports network, CMPort seeks to enhance its value creation for its shareholders.

CMPort has earned itself a reputation across the industry with the professional management experience accumulated for years, its self-developed global leading ports operating system and integrated logistics management platform for import and export, its extensive maritime logistics support system, the modern and all-rounded integrated logistics solutions, its quality engineering management, and the outstanding and reliable services it provides.

CMPort's strategic vision is "to be a world's leading comprehensive port service provider". Through implementation of domestic, overseas and innovation strategies, CMPort strives to achieve world-class level on various fronts, including global container throughput, market share, comprehensive port development, operation and management capabilities, asset utilisation, labour productivity and brand name, etc.

MAJOR MILESTONES IN 2020

FEBRUARY

The Board of CMPort appointed Mr. Deng Renjie as the Executive Director of the Company and Chairman of the Board with effect from 13 February 2020 to succeed Mr. Fu Gangfeng who tendered his resignation due to change of work arrangement.

MARCH

CMPort completed the initial closing of Terminal Link SAS's acquisition on the 8 out of the 10 target container terminals from CMA CGM SA, mainly located in Southeast Asia, South Asia, Europe and Caribbean Sea, etc., and paid the corresponding US$815 million in total for the subscription of the Mandatory Convertible Bonds and the principal amount of the Loan.

APRIL

Hambantota International Port Group (Private) Limited ("**HIPG**") officially started a new business of marine bunker supply for cargo ships and long-haul fishing vessels in Sri Lanka.

AUGUST

CMPort introduced a strategic investor for HIPG – Fujian Transportation Maritime Silk Road Investment and Management Co. Limited, to which CMPort disposed of approximately 20% effective stake in HIPG with a consideration of US$268 million.

AUGUST

The construction of Mawan Smart Port (previously known as "**Haixing Intelligent Port**") construction project progressed as scheduled in West Shenzhen Port Zone, and the first berth was successfully accepted and delivered.

OCTOBER

CMPort issued US$600 million (3-year non-callable) and US$200 million (5-year non-callable) guaranteed perpetual capital securities with an issuance interest rate of 3.50% and 3.875%, respectively to provide the Group's working capital.

NOVEMBER

CMPort was able to consolidate Ningbo Daxie China Merchants International Terminals Co., Ltd. (a former JV) as a subsidiary upon the agreement of its other shareholders.

CHAIRMAN'S STATEMENT

It is with great delight that I present China Merchants Port Holdings Company Limited (the "**Company**") and its subsidiaries' (the "**Group**") 2020 annual report and its audited financial statements for the year ended 31 December 2020.

In 2020, under the impact of the COVID-19 pandemic, anti-globalisations and geopolitical risks, the overall global economy experienced recession to a certain extent. Economic activities in many countries have been put on pause extensively due to the lockdown measures implemented. Weak consumption, shrinking trade and fluctuations in exchange rates, among other uncertainties, imposed challenges to the daily operation and management of enterprises. Amid the complex and changing external environment, the Group firmly adhered to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes" and proactively coped with the effect of the pandemic to ensure the orderly resumption of work and production. The Group also actively carried out various major tasks and further enhanced its core competitiveness in aspects such as the construction of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management and marketing and commerce, thereby accomplishing its established strategic goals and successfully completing various operational objectives of the year.

In 2020, the overall operation of the Group remained stable with growing business volume. In terms of ports operation, the global port projects invested by the Group delivered a container throughput of 120.52 million TEUs during the year, up 7.9% over 2019. In terms of the development of homebase port, the Group continuously propelled the infrastructure construction in its West Shenzhen homebase port to enhance its service capability and further developed the commerce capability of its overseas homebase ports in Sri Lanka to increase its influence in the region. As for overseas business, the Group achieved critical breakthrough in terms of port acquisitions. With respect to comprehensive development, the Group continued to push forward the implementation of the comprehensive development model of "Port-Park-City" with steady growth in the number of registered companies in the industrial parks of the Group's ports in Djibouti and Sri Lanka. With regard to innovative development, innovative initiatives for digitalisation continued to bear fruits with the construction project of Mawan Smart Port achieved staged progress. The Group also promoted the establishment of coordinated ports in the Guangdong-Hong Kong-Macao Greater Bay Area and actively cooperated with leading Internet and technology companies to explore opportunities for the development of an ecosystem for intelligent ports. Regarding capital operation, the Group successfully introduced a strategic investor for Hambantota International Port Group (Private) Limited ("**HIPG**"), and successfully recognised Ningbo Daxie China Merchants International Terminals Co., Ltd. ("**Ningbo Daxie**"), a former joint venture of the Group, as a subsidiary of the Group with the consent of its other shareholders.

OPERATING RESULTS

In 2020, the Group's revenue reached HK$8,945 million, representing an increase of 0.5% year-on-year, which was mainly attributed to the increase in revenue from overseas operations, which offset the decrease in revenue from the Pearl River Delta region. Profit attributable to equity holders of the Company amounted to HK$5,151 million, representing a decrease of 38.4% over 2019. Of this amount, recurrent profit [Note 1] was HK$4,158 million, decreased by 0.1% over 2019.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2020, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties, net gain on resumption of certain land parcels at Shantou, goodwill impairment loss of a subsidiary and gain on discontinuance of equity accounting for a joint venture; while for 2019, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties, gain on deemed disposal of interest in a joint venture and net gain on resumption of certain land parcels at Qianhai and Shantou.

DIVIDENDS

The Board of Directors of the Company has resolved to propose at the forthcoming Annual General Meeting the payment of a final dividend of 51 HK cents per ordinary share. Together with the interim dividend of 18 HK cents per share, the total dividend for the year amounted to 69 HK cents per ordinary share, representing a full-year payout ratio of 48.8%. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the final dividend for ordinary shares will be payable on or around 16 July 2021 to shareholders whose names appear on the register of members of the Company on 9 June 2021.

REVIEW FOR THE YEAR

In 2020, the more complex international environment was characterised by the significant increase in uncertainties and the far-reaching and unprecedented impact brought by COVID-19. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2021, the global economy was expected to shrink by 3.5% year-on-year in 2020. Amongst that, developed economies and emerging economies will decline by 4.9% and 2.4% respectively, while the heavily-hit United States and Euro Area would record a decrease of 3.4% and 7.2% respectively. The COVID-19 pandemic started to spread across East and Southeast Asia in early 2020. Since the second quarter, America and Europe became the pandemic epicentres and witnessed the resurgence of infected cases in certain areas, which posed serious challenges to global economic recovery.

In 2020, the Chinese economy recorded a growth rate of 2.3%, making China the only major economy with positive economic growth in the world. Overall, in the face of the complicated and challenging international environment, China organised and promoted pandemic prevention and control along with economic and social development. Its efforts not only effectively facilitated the restoration of normal production and everyday life, but also yielded significant strategic results in pandemic prevention and control. In the meantime, China accelerated the establishment of the new development model with internal circulation in the domestic market as the mainstay and the dual circulation in domestic and international market facilitating each other. As a result, the national economy recovered steadily. According to the statistics published by the General Administration of Customs of China, China's total foreign trade of import and export value amounted to US$4.65 trillion in 2020, representing a year-on-year increase of 1.5%. Among that, the export value was US$2.59 trillion, representing a year-on-year increase of 3.6%; while the import value was US$2.06 trillion, representing a year-on-year decrease of 1.1%.

Affected by the COVID-19 pandemic, the global port generally experienced a slowdown of volume growth in 2020, however the container throughput volume in China was slightly increased thanks to the effective prevention and control in China. The Group's ports operation recorded a total container throughput of 120.52 million TEUs, representing a 7.9% year-on-year growth, and bulk cargo volume of 411 million tonnes, representing a decrease of 8.6% year-on-year. Looking into the regional performance, container throughput handled by the Group's ports in Mainland China, Hong Kong and Taiwan totalled 91.65 million TEUs, up by 0.8% year-on-year; and overseas operations delivered a container throughput of 28.88 million TEUs, up by 38.5% year-on-year. Among the major ports in the Group's portfolio, container throughput handled by the Group's terminals in the West Shenzhen Port Zone was 10.57 million TEUs, up by 3.5% year-on-year; Shanghai International Port (Group) Co., Ltd. handled a container throughput of 43.50 million TEUs, representing a year-on-year increase of 0.5%, being the world's largest for the eleventh consecutive year. Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka delivered year-on-year growth of 1.9% by handling a container throughput of 2.93 million TEUs. HIPG delivered a RORO volume of 0.388 million vehicles, down by 6.3% year-on-year, and a bulk cargo volume of 1.24 million tonnes, up by 145.6% year-on-year. Lomé Container Terminal S.A. in Togo handled a container throughput of 1.36 million TEUs, representing a growth of 20.5% year-on-year. TCP Participações S.A. in Brazil handled a container throughput of 0.98 million TEUs, up by 7.4% year-on-year. Terminal Link SAS ("**Terminal Link**") delivered a container throughput of 21.22 million TEUs, up by 60.1% year-on-year, which mainly represented the additional throughput contributed by the 8 terminals acquired on 26 March 2020.

In 2020, the Group adhered to the strategic directives and the general operation philosophy of "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world's leading enterprise" with an unwavering aspiration to reinforce its foundation and made innovation with a pragmatic attitude. In the pursuit of further breakthroughs in aspects such as the building of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce, the Group actively implemented various key tasks and maintained steady growth of its businesses.

In terms of the development of homebase ports, the Group accelerated the building of world-class ports. Through progress in the construction of channels and infrastructure, integrated operation, and the development of Mawan Smart Port, etc., the comprehensive competitiveness of the West Shenzhen homebase port was improved further. Capitalising on the collaborative advantages between the ports, the Group has also improved the infrastructure of HIPG and enhanced the collaborated development between HIPG and CICT, striving to establish world-class shipping centres in South Asia and increase the influence of its overseas homebase ports.

In respect of the overseas business, the Group completed the acquisition of equity interests in 8 terminals through Terminal Link, following which the port business of the Group has expanded into Southeast Asia, the Middle East, Europe and the Caribbean Sea, which further complemented its global port network.

With respect to comprehensive development, the Group propelled the implementation of the comprehensive development model of "Port-Park-City" for regional economies in full force centring on Djibouti and Sri Lanka. Despite the adverse impact of the spread of the pandemic, each of the industrial parks still managed to overcome difficulties and achieved steady growth in the number of contracted and registered enterprises in the zone and realised its annual development goals.

With regard to innovative development, innovative initiatives for digitalisation continued to bear fruits. The first berth of the Mawan Smart Port (formerly named as the "Haixing Intelligent Port") construction project completed the delivery and acceptance during the year and will be developed into a model for intelligentisation and upgrade of traditional terminals at home and abroad in the future. The Group developed the coordinated ports in the Guangdong-Hong Kong-Macao Greater Bay Area in an innovative manner, which has greatly enhanced the efficiency of both the terminals and container turnover. The Group also took the initiative to cooperate with leading Internet and technology companies, such as Tencent and Alibaba, to explore the establishment of an open platform for intelligent ports.

In respect of capital operation, the Group reviewed its existing assets, developed capital operation plans. It also introduced Fujian Transportation Maritime Silk Road Investment and Management Co. Limited (福建省交通海絲投資管理有限公司) as the strategic investor of HIPG, through which it has optimised its corporate governance structure while maintaining its control over HIPG. In addition, the Group successfully recognised Ningbo Daxie, a former joint venture, as a subsidiary, which would then be consolidated into the consolidated financial statements of the Group.

As for operation management, the Group insisted on a strategy-oriented and culture-led approach. The Group followed the direction of "empowerment, professionalism and value" and centred on the five core elements, namely "management standard, teams of experts, closed-loop procedure, information system and enhancement against benchmark", so as to establish an operation management system with sustainable value creation. Besides, focusing on execution quality, the Group intensified the effort on quality and efficiency improvement and strived to implement related measures to achieve in-depth integration between quality and efficiency enhancement and strategic objectives.

In terms of marketing and commerce, the Group organised and formulated plans of business promotion and marketing campaigns for domestic and international customers. Leveraging on its resources advantages from terminal network across Northern and Southern China, the Group optimised the routes network and launched boutique shipping routes. It also actively participated in major events such as the China International Import Expo and the China Marine Economy Expo to build up the brand image of the Group.

FUTURE PROSPECTS

Looking into 2021, the pandemic remains the most significant uncertainty for the global economy. Nonetheless, with the gradual rollout of vaccines, the effect of the pandemic on global economic and social activities will be reduced significantly and the world's economy is expected to recover at full speed. As the economic and trading activities gradually return to normal, the economic growth of developed economies will increase steadily in 2021. Subject to the progress of vaccination against COVID-19, emerging markets and developing economies will face uncertainties in economic development. In January 2021, the IMF predicted the global economy to grow by 5.5% in 2021, representing a significant increase of 9.0 percentage points as compared to that of 2020. In particular, the developed economies will grow at 4.3%, up 9.2 percentage points as compared to that of 2020; and the emerging markets and developing economies will grow at 6.3%, up 8.7 percentage points as compared to that of 2020. Global trade volume (including goods and services) will grow by 8.1%, up 17.7 percentage points as compared to that of 2020.

In 2021, the global container shipping market continues to face uncertainties to some degree. Supply and demand imbalance of global shipping capacity, container shortage and port congestion are expected to lead to the strong container shipping market and result in a chain reaction to freight rates and schedule reliability. If the COVID-19 pandemic is brought under control over time, shipping routes, shipping capacity and supply of containers may be normalised and the freight rates may retreat. Global economic recovery, among other positive factors, is expected to drive shipping demand. Besides, ongoing progress in the construction of intelligent ports and green ports will inject new energy into the development of the port industry. Given the economic and trade situations at home and abroad, as well as the development trend of the port and shipping industry, as a leading comprehensive port service provider in the industry, the Group will continue to be benefitted in the new era of development.

In 2021, upholding the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", the Group will grow on solid ground, act proactively under the guidance of adapting to and pursuing changes, as well as insisting on the improvement of quality and efficiency. The Group will vigorously promote the quality development of business and operation, and be committed to realising the strategic goal of "to be a world's leading comprehensive port service provider" by 2022 with planned key priorities set out as below:

In terms of the construction of homebase ports, the Group will press ahead at full steam with the development of world-class leading ports. It will continue to refine and optimise the future development goals and action plans for West Shenzhen Port Zone and incorporate more intelligent elements into Mawan Smart Port in accordance with the development strategy of the Guangdong-Hong Kong-Macao Greater Bay Area to boost its comprehensive capabilities and enhance its influence in the region. In terms of overseas homebase ports, the Group will continue to focus on port operation and strengthen cooperation with shipping companies, so as to evolve into world-class shipping centres in South Asia.

In respect of the overseas business, the Group will enhance the overall development plans for projects abroad in line with the overseas layout of "East-West routes, South-North routes, regions along the Belt and Road Initiative", and pushing the completion of acquiring the remaining two terminals from CMA CGM SA. The Group will optimise the overseas management and control system to further improve the operating effectiveness and efficiency of newly acquired overseas projects. In the face of the current complex context of international affairs, the Group will keep abreast of the changes in the trade environment and continuously monitor the investment opportunities of ports located in high growth regions.

Regarding comprehensive development, the Group will closely adapt to changes in the trade environment to explore the market. By fully consolidating the resources from the port industry chain, value chain, logistics chain and innovation chain, it will explore the comprehensive development model of "Port-Park-City" and seek for sustainable business development through "investment introduction to industrial parks and comprehensive development for the land".

As for innovative development, the Group will strengthen technology empowerment to create a port ecosystem with innovation. Taking technology innovation as an entry point, it will optimise and complement the comprehensive port service model to support the long-term growth of the Group through technology empowerment. The Group will, through the building of the Research Institute of CMPort for Technological Innovation and Development, to extend its business to the upstream and downstream of the industrial and value chain, as well as to cultivate new business models. It will also enhance the operating effectiveness and efficiency of existing assets through technological and managerial innovation, and increase the level of intelligentisation and the capability of production and operation of its terminals via the "CMCore" platform. With the "CM ePort" platform, the Group will innovate the business models to provide better customer service at ports. By building an intelligent management platform, it will also enhance the comprehensive management ability of the Group via information collection and analysis, as well as optimisation of procedures.

In respect of capital operation, the Group will adopt innovative work approaches to capture opportunities in the industry and market, and optimise its assets portfolio on an ongoing basis. With the dual-wheel-driven model of "asset operation + capital operation", the Group will work diligently to achieve sustainable and high-quality development of and enhance the return on shareholders' equity.

In terms of operation management, the Group will continue to optimise management and control on daily basis. As part of the ongoing efforts to develop a world-class operating management system that sustainably creates value, the Group will gradually establish a management system for the entire lifecycle of assets and satisfy the requirements on quality and progress of major construction projects.

With regard to marketing and commerce, the Group will deepen the cooperation with the senior management of shipping companies and various customs, strengthen direct control and influence over cargo sources and provide value-added services, so as to promote further development of its foreign trade business and boost its market competitiveness. Meanwhile, it will actively explore development opportunities for domestic trade business in line with China's dual circulation model. With the establishment of the interconnected system for terminals in Northern and Southern China, the Group will expand its service of shipping routes to boost the business growth of ports within the areas where cargo originates.

Looking ahead to 2021, subject to the successful vaccination against COVID-19 around the globe, the effect of the pandemic on global economic and social activities will be reduced significantly and the world's economy is expected to recover at full speed. Benefitted from the effective control of the pandemic, it is expected the growth of the Chinese economy will rebound significantly in 2021. In the meantime, China will accelerate the establishment of the new development model with internal circulation in the domestic market as the mainstay and the dual circulation in domestic and international market facilitating each other, which will strengthen the endogenous drivers for economic growth and hence bring about more opportunities for the development of the industry. The Group will firmly adhere to the overall operation philosophy of "making progress amid stability", consistently implement the new development concepts and insist on the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes". It will adhere to the dual-core-driven operating model of "market-oriented + digitalisation" while taking the initiative to respond actively and making breakthroughs on key missions, exploring the potential in the process of reform and innovation, and proactively enhancing the market competitiveness of the Group, so as to become a world-class comprehensive port service provider and to generate better returns for shareholders while creating values for the stakeholders of the Group.

INVESTOR RELATIONS

The Group attaches great importance to investor relations management and endlessly pushes communication and exchanges with the investment community to raise investors' timely understanding of and trust towards the Group. In 2020, the Group was unable to have face-to-face meetings with the investors due to the pandemic. However, through remote forms, such as via the Internet and by conference calls, the Group held approximately 660 communications with investors and analysts, as well as participated or hosted 26 events for investor communications, including results announcement briefings and roadshows, investor conferences, etc. In 2021, taking into account the global pandemic, the Group will make use of technological means to keep close contact with its investors and shareholders around the world by arranging different forms of investor relations activities, so as to enhance the Group's transparency and governance standard, and to establish a positive corporate image as a listed company.

RATINGS

In 2020, the Group's credit rating by the Moody's and the Standard and Poor's maintained at Baa1 and BBB respectively. The Group was rated A in the Sustainability Performance Assessment conducted by the Hong Kong Quality Assurance Agency in 2020 (2019: A-).

APPRECIATION

In 2020, facing the complex environment with various risks and difficulties, the Group has embraced the challenges, responded swiftly, and maintained steady progress. Positive achievement for various tasks and steady improvement of operation and development were recorded. All of these could not be accomplished without the dedication from all of our staff and the support from our shareholders and investors, business partners and those in the society who have taken to heart the Group's interest. For this, I would like to extend my most sincere appreciation and deepest gratitude.

Deng Renjie
Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

GENERAL OVERVIEW

In 2020, the more complex international environment was characterised by the significant increase in the uncertainties with the far-reaching and unprecedented impact brought by the COVID-19. According to the "World Economic Outlook" update report published by the International Monetary Fund ("**IMF**") in January 2021, the global economy in 2020 was expected to shrink by 3.5% year-on-year. Amongst that, developed economies and emerging economies were expected to decline by 4.9% and 2.4% respectively, while the heavily-hit United States and Euro Area would record a decrease of 3.4% and 7.2% respectively. Total global trade volume (including goods and services) shrank by 9.6%, representing a decrease of 10.6 percentage points as compared to that of 2019.

In the face of the complicated and challenging international environment, China organised and promoted pandemic prevention and control along with economic and social development. Its efforts not only effectively facilitated the restoration of normal production and everyday life, but also yielded significant strategic results in disease prevention and control. In the meantime, China accelerated the establishment of the new development model with internal circulation in the domestic market as the mainstay and the dual circulation in domestic and international market facilitating each other. As a result, the Chinese economy recovered steadily and China recorded year-on-year GDP growth of 2.3% in 2020, making it the only major economy with positive economic growth in the world. In the second half of 2020, driven by the infrastructure, greater support from the fixed asset investment became more obvious, the foreign trade recorded better-than-expected growth driven by regional cooperation in trade, and the consumption demand gradually picked up and the economy showed positive signs of recovery. Overall, the outlook on China's economy of the upward trend in the long-run hasn't changed. To achieve high-quality economic growth, China will continue to deepen the supply-side structural reform and focus on the management on the demand side in the future. According to the statistics published by the General Administration of Customs of China, China's total foreign trade of import and export value amounted to US$4.65 trillion in 2020, representing a year-on-year increase of 1.5%, among which the total export value was US$2.59 trillion, representing an increase of 3.6% year-on-year; while the total import value was US$2.06 trillion, representing a decrease of 1.1% year-on-year.

Under the impact of COVID-19, the global port container throughput slightly declined in 2020, however the container throughput volume in China slightly increased thanks to the effective pandemic prevention and control in China. According to the data published by the Alphaliner, a shipping consultancy, the global container throughput in 2020 was expected to amount to 827 million TEUs, representing a year-on-year decrease of 1.4%. According to the data published by the Ministry of Transport of China, the accumulated container throughput handled by the Chinese ports reached 264 million TEUs in 2020, representing an increase of 1.2% year-on-year.

In 2020, the Group's ports handled a total container throughput of 120.52 million TEUs, up by 7.9% over the previous year, and bulk cargo volume of 411 million tonnes, down by 8.6% over the previous year. For the year ended 31 December 2020, the Group's revenue amounted to HK$8,945 million, representing an increase of 0.5% over the previous year. Profit attributable to equity holders of the Company amounted to HK$5,151 million, representing a decrease of 38.4% over the previous year.

BUSINESS REVIEW

Ports operation

In 2020, the Group's ports handled a total container throughput of 120.52 million TEUs, up by 7.9% year-on-year. Among that, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 91.65 million TEUs, representing an increase of 0.8% year-on-year. The continuous recovery of business volume in the second half of the year has offset the impact arising from the pandemic at the beginning of the year. A total container throughput handled by the Group's overseas ports grew by 38.5% year-on-year to 28.88 million TEUs, which was mainly benefitted from the additional throughput contribution from the eight terminals acquired by Terminal Link SAS ("**Terminal Link**") on 26 March 2020, as well as the throughput growth of Lomé Container Terminal S.A. ("**LCT**") in Togo, TCP Participações S.A. ("**TCP**") in Brazil and Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka. Bulk cargo volume handled by the Group's ports decreased by 8.6% year-on-year to 411 million tonnes, of which the Group's ports in Mainland China handled a total bulk cargo volume of 405 million tonnes, representing a decrease of 8.6% year-on-year.

The gross throughput volume handled by the Group's container terminals for the year ended 31 December 2020 is as below:

Container Terminals	2020 thousand TEUs	2019 thousand TEUs	Year-on-year changes
Mainland China, Hong Kong and Taiwan	**91,647**	90,878	0.8%
Pearl River Delta region	**17,604**	17,171	2.5%
West Shenzhen Port Zone	**10,567**	10,214	3.5%
China Merchants Container Services Limited and Modern Terminals Limited	**5,557**	5,570	(0.2%)
Chu Kong River Trade Terminal Co., Limited	**1,055**	1,092	(3.4%)
Guangdong Yide Port Limited	**425**	295	44.1%
Yangtze River Delta region	**46,823**	46,593	0.5%
Shanghai International Port (Group) Co., Ltd.	**43,503**	43,303	0.5%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	**3,320**	3,290	0.9%
Bohai Rim region	**22,498**	22,613	(0.5%)
Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited)	**6,535**	10,217	(36.0%)
Qingdao Qianwan United Container Terminal Co., Ltd.	**8,097**	7,922	2.2%
Tianjin Port Container Terminal Co., Ltd.	**7,866**	4,474	75.8%
Others	**4,722**	4,501	4.9%
Zhanjiang Port (Group) Co., Ltd.	**1,220**	1,108	10.1%
Zhangzhou China Merchants Port Co., Ltd.	**315**	422	(25.4%)
Shantou China Merchants Port Group Co., Ltd.	**1,588**	1,336	18.9%
Kao Ming Container Terminal Corp.	**1,599**	1,635	(2.2%)
Other locations	**28,875**	20,843	38.5%
Colombo International Container Terminals Limited	**2,930**	2,875	1.9%
Lomé Container Terminal S.A.	**1,364**	1,132	20.5%
Tin-Can Island Container Terminal Ltd.	**303**	468	(35.3%)
Port de Djibouti S.A.	**859**	917	(6.3%)
TCP Participações S.A.	**983**	915	7.4%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	**1,217**	1,282	(5.1%)
Terminal Link SAS [Note]	**21,219**	13,254	60.1%
Total	**120,522**	111,721	7.9%

Note: Terminal Link SAS completed the acquisition of 8 container terminals in various locations in Asia and Europe on 26 March 2020.

Pearl River Delta region

Thanks to the continued recovery of container throughput in the second half of the year, the Group's terminals in the West Shenzhen Port Zone handled a container throughput of 10.57 million TEUs, up by 3.5% year-on-year; and handled a bulk cargo volume of 10.38 million tonnes for the year, up by 32.9% year-on-year, mainly driven by the growth in the import volume of grains. Guangdong Yide Port Limited handled a container throughput of 0.43 million TEUs, up by 44.1% year-on-year, mainly driven by the steady growth of international throughput volume since its commencement of service for foreign trade in July 2019; and handled a bulk cargo volume of 3.95 million tonnes, up by 74.4% year-on-year, which was mainly attributed to the successful exploration of new major customers and maintenance of existing customers base. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 1.06 million TEUs and a bulk cargo volume of 3.08 million tonnes, down by 3.4% and 12.8% year-on-year respectively, mainly because certain international routes were suspended due to the pandemic. China Merchants Container Services Limited ("**CMCS**") and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 5.56 million TEUs, down by 0.2% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. handled a container throughput of 43.50 million TEUs, up by 0.5% year-on-year. Bulk cargo volume handled declined by 34.3% year-on-year to 75.65 million tonnes, mainly due to the proactive adjustment on the structure of dry bulk cargos upon its development plan. Ningbo Daxie China Merchants International Terminals Co., Ltd. ("**Ningbo Daxie**") handled a container throughput of 3.32 million TEUs, representing an increase of 0.9% year-on-year.

Bohai Rim region

Due to the impact of the pandemic and the adjustment on the business model, Liaoning Port Co., Ltd. (formerly known as "Dalian Port (PDA) Company Limited") handled a container throughput of 6.54 million TEUs, down by 36.0% year-on-year; and its bulk cargo volume handled decreased by 0.6% year-on-year to 131 million tonnes. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 8.10 million TEUs, representing an increase of 2.2% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 16.29 million tonnes, representing an increase of 4.5% year-on-year. As rising domestic demand for iron ore led to the increase in the import volume of iron ore, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 63.15 million tonnes, indicating an increase of 5.4% year-on-year. Since the Group has participated in the merger of container terminals in Tianjin which was completed in August 2019, Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 7.87 million TEUs in 2020, representing an increase of 75.8% as compared to the total 4.47 million TEUs handled by Tianjin Five Continents International Container Terminals Co., Ltd. held by the Group before the completion of the merger and the volume handled during the remaining 2019 after the merger was completed.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. ("**Shantou Port**") handled a container throughput of 1.59 million TEUs, up by 18.9% year-on-year, which was mainly due to the growth in the volume of domestic containers; and a bulk cargo volume of 3.14 million tonnes, down by 55.7% year-on-year, affected by the impact of the local environmental policies and the removal of the old port zone. Zhangzhou China Merchants Port Co., Ltd. located in the Xiamen Bay Economic Zone, handled a container throughput of 0.32 million TEUs, decreased by 25.4% year-on-year as affected by the pandemic and environmental policies in the hinterland, while its bulk cargo volume handled decreased by 22.3% year-on-year to 6.33 million tonnes due to the significant decrease in the production volume of sandstone, a major cargo type, as affected by the environmental policies in the hinterland. Xia Men Bay China Merchants Terminals Co., Ltd., which officially commenced operation in May 2019, handled a bulk cargo volume of 0.65 million tonnes for the year, up by 137.7% year-on-year.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. ("**Zhanjiang Port**") handled a container throughput of 1.22 million TEUs, up by 10.1% year-on-year, mainly attributable to the expansion of new shipping routes and the growth in domestic transhipment business. It also handled a bulk cargo volume of 90.87 million tonnes, down by 0.3% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung handled a total container throughput of 1.60 million TEUs, representing a decrease of 2.2% year-on-year.

Overseas operation

In 2020, a total container throughput handled by the Group's overseas projects increased by 38.5% year-on-year to 28.88 million TEUs. In Sri Lanka, CICT handled a container throughput of 2.93 million TEUs, up by 1.9% year-on-year. Hambantota International Port Group (Private) Limited ("**HIPG**") handled a bulk cargo volume of 1.24 million tonnes, increased by 145.6% year-on-year, which was mainly due to the resumption of growth in the clinker volume, and its RORO terminal handled 0.388 million vehicles, down by 6.3% year-on-year, mainly because automobile factories in India suspended production and the volume of local import vehicle decreased due to the pandemic. Container throughput handled by LCT in Togo increased by 20.5% year-on-year to 1.36 million TEUs, mainly because shipping companies have moved some transhipment routes to LCT from regions that suffered seriously from the pandemic. Benefitted from the increase in container volume driven by the growth in the export of agricultural and meat products, TCP in Brazil handled a container throughput of 0.98 million TEUs, up by 7.4% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.30 million TEUs, representing a decrease of 35.3% year-on-year, which was mainly due to the decrease of import demand affected by the pandemic and the oil price slump. Given the declining import and export demand in the hinterland as affected by the pandemic, Port de Djibouti S.A. in Djibouti handled a container throughput of 0.86 million TEUs, down by 6.3% year-on-year, and a bulk cargo volume of 4.53 million tonnes, down by 20.2% year-on-year. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 1.22 million TEUs, representing a decrease of 5.1% year-on-year; while bulk cargo volume handled was 0.07 million tonnes, down by 35.9% year-on-year, which was mainly due to the decline in marble exports as affected by the pandemic. Terminal Link handled a container throughput of 21.22 million TEUs, up by 60.1% year-on-year, mainly benefitted from the contribution of container throughput handled by the eight new terminals, of which the acquisition was completed on 26 March 2020.

Strategic deployments in the ports operation

In 2020, by continuing to adhere to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", and based on the dual operation model of "market-oriented + digitalisation" and the operation philosophy of "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and

striving to become a world's leading enterprise", the Group formulated specific implementation plans and made further breakthroughs in seven aspects, namely the development of homebase port, overseas business, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce. Despite the impact of the pandemic and the changes in the economic environment worldwide in 2020, the Group actively implemented various key planned tasks and maintained steady growth in its core ports business.

In terms of the development of homebase ports, the Group accelerated the building of world-class ports in its homebase ports of West Shenzhen Port Zone, and CICT and HIPG in Sri Lanka. Closely followed the development plan of Guangdong-Hong Kong-Macao Greater Bay Area, the West Shenzhen Port Zone has promoted the growth of the high-value-added business by fully utilising the resources of the navigation channel and supply chain, and tried to realise regular night service of the Tonggu Channel, so as to

enhance the navigation capacity and competitiveness. As for the Mawan Smart Port, according to the project planning, two berths able to serve ships of 200,000 deadweight tonnage would be in place after the construction is completed. On 26 August 2020, the first berth completed the delivery and acceptance. Overseas homebase ports adopted a market-oriented approach to enhance service capability and expand value-added services, exerted business synergy, and thereby strengthened the strong momentum of development. By attracting more quality routes, CICT has registered a rise in market share and container volume, despite an overall decline in container volume in the Colombo Port.

As for overseas expansion, the Group completed the acquisition of equity interest in eight out of the ten target terminals through Terminal Link on 26 March 2020. As such, the Group's port operations were able to expand to Southeast Asia, the Middle East, Europe and the Caribbean Sea, etc., thereby further complementing its layout of the global ports network.

With respect to comprehensive development, the Group also made a crucial step in the implementation of the "Port-Park-City" model. With focal projects in Djibouti and Sri Lanka, the Group propelled the material realisation of "Port-Park-City", the regional economic and comprehensive development model, with strengthened business synergies in overseas projects. As of the end of 2020, HIPG has contracted and registered 26 enterprises in its industrial parks, and the Djibouti International Free Trade Zone reached 114 enterprises. Positive achievements have been made in the induction of business and investment, and various objectives for the year have been met.

In pursuit of innovative development, the Group proactively pushed forward the construction of smart ports and the building of a port ecosystem. As for port intelligentisation, the first berth of the Mawan Smart Port construction project has completed the delivery and acceptance, and will become the first automated container terminal in China upgraded and transformed from a traditional multi-purpose terminal. The project embodied smart technology, as well as social and economic benefits, incorporating nine major intelligent elements, namely CMCore, CM ePort, artificial intelligence, the application of 5G network, Beidou high precision positioning system, automation, intelligent customs, blockchain, and green and low-carbon development. It was recognised as a key research and development project by the Ministry of Science and Technology and a model for intelligentisation upgrade of traditional terminals at home and abroad. In terms of service extension and expansion, the Group developed the coordinated ports in the Guangdong-Hong Kong-Macao Greater Bay Area in an innovative manner. By combining blockchain, big data, artificial intelligence and cloud computing, the Group established the customs and logistics platform in the Greater Bay Area via technology empowerment, so as to promote the healthy and sustainable growth of cross-border trade in the region. For the incubation of business innovation, the Group took initiative to cooperate with leading Internet and technology companies to explore the establishment of an open platform for port intelligentisation.

In respect of capital operation, the Group has reviewed the existing asset and formulated plans for the capital operation. Centring on the strategic objectives of the Group, and adhering to the innovative work approach of revitalising the existing assets and optimising asset structure, the Group introduced a strategic investor, Fujian Transportation Maritime Silk Road Investment and Management Co. Limited (福建省交通海絲投資管理有限公司), to HIPG with a view to optimising the corporate governance structure while maintaining the Group's control over HIPG. Synergies with HIPG will be realised by leveraging on the advantage of resources of its various shareholders both at home and abroad, thereby achieving sustainable development of HIPG in the long run. In addition, through negotiation with the other shareholders of Ningbo Daxie and by entering into the cooperation agreement with Ningbo Zhoushan Port Company Limited, the Group has successfully recognised Ningbo Daxie, its former joint venture, as a subsidiary, which has therefore been consolidated into the Group's consolidated financial statements.

As for operation management, the Group continued to uphold its strategy and culture, follow the direction of "empowerment, professionalism and value" and centred on the five core elements, namely "management standard, teams of experts, closed-loop procedure, information system and benchmark enhancement", so as to establish an operation management system with sustainable value creation. By gradually formulating standards for all functional modules, it aimed to build a world-class value-oriented headquarters. Taking into account the strategic positioning of its business segments, the Group adhered to the principles of differentiation and manageable risks, and pushed forward the healthy development of subsidiaries through a management system on the entire lifecycle for assets, procurement management and performance evaluation mechanism. Besides, focusing on improving the quality of initiatives, as well as execution and implementation, the Group further intensified the tasks on quality and efficiency improvement and deepened the integration of quality and efficiency enhancement and strategic objectives.

With regard to marketing and commerce, the headquarters continued to coordinate the planning of commerce, promotion and marketing activities with domestic and international customers, and proactively maintained communication with customers during the pandemic to ensure smooth business and service. By fully leveraging on the Group's terminal resources across Northern and Southern China, it further optimised the routes network and launched the boutique shipping routes. It also participated in major events, such as the China International Import Expo and the China Marine Economy Expo, to build the brand image of the Group.

Bonded logistics operation

In 2020, the Group's bonded logistics business continued to pursue the development direction of a diverse integrated services business. The Group has put more efforts into market expansion and proactively conducted businesses such as cross-border e-commerce, devanning and consolidation of international transhipment containers and enhanced the utilisation rate of resources at the existing warehouses and yards so as to respond to market changes. In 2020, the average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen was 93%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. made full use of its resources to develop the self-operated business and the average utilisation rate of the warehouse was 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 62% of its warehouses. In Djibouti International Free Trade Zone, the average utilisation rate of

the bonded warehouse, which the Group invested in, was 93%. Besides, the wholly-owned bonded warehouse of the Group, which commenced operation in May 2019, recorded an average warehouse utilisation rate of 33% in 2020.

In 2020, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 3.82 million tonnes, down by 10.4% year-on-year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.768 million tonnes, representing a decrease of 5.1% year-on-year and a market share of 20.1%, decreased by 1.1 percentage points as compared with last year.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group's recorded revenue of HK$8,945 million, representing a year-on-year increase of 0.5%, which was mainly attributed to the increase in revenue from overseas operations, which offset the decrease in revenue from the Pearl River Delta region due to the pandemic. Profit attributable to equity holders of the Company amounted to HK$5,151 million, representing a year-on-year decrease of 38.4%, which included a net gain of HK$775 million (net of tax) recognised by the Group from the resumption of certain land parcels at Shantou by the government during the year, the gain on discontinuance of equity accounting for a joint venture of HK$912 million (net of tax) and goodwill impairment loss of a subsidiary of HK$621 million, while the amount for the previous year included a total net gain of HK$3,591 million (net of tax) recognised by the Group from the resumption of certain land parcels at Qianhai and Shantou by the government, and the gain on deemed disposal of interest in a joint venture of approximately HK$416 million. The recurring profit [Note 1] of the Group decreased by 0.1% year-on-year to HK$4,158 million.

As at 31 December 2020, total assets of the Group increased by 14.1% from HK$149,082 million as at 31 December 2019 to HK$170,064 million, which was mainly attributed to the subscription of mandatory convertible bonds issued by, and provision of loan to, an associate, and cash amount increased during the year. The total liabilities of the Group slightly increased by 2.7% from HK$54,948 million as at 31 December 2019 to HK$56,429 million as at 31 December 2020. As at 31 December 2020, net assets attributable to equity holders of the Company was HK$87,889 million, up by 10.2% as compared to that as at 31 December 2019. This was mainly attributed to the profit attributable to equity holders and the gains on translation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

The financial statements of the Group's foreign investments are in currencies such as Renminbi, Euro, United States dollar or Brazilian Real and any exchange difference so arising from retranslation of these financial statements have been dealt with 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. The Group's total net cash inflow from operating activities for the year ended 31 December 2020 was HK$5,822 million, a decrease of 7.7% as compared with the previous year. For the year ended 31 December 2020, due to the capital expenditure on business acquisitions increased as compared to the previous year, the Group's cash outflow from investment activities increased from HK$2,410 million to HK$6,163 million, including the subscription of mandatory convertible bonds issued by, and provision of loan to, an associate in an aggregate amount of HK$6,358 million during the year. At the same time, as a result of the increase in new loans granted and bonds issued as compared to the previous year, the Group's cash flow from financing activities for the year ended 31 December 2020 increased from a net outflow of HK$2,092 million in the previous year to a net inflow of HK$4,375 million for the current year.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2020, change in fair value of financial assets and liabilities at fair value through profit or loss ("**FVTPL**"), change in fair value of investment properties, net gain on resumption of certain land parcels at Shantou, goodwill impairment loss of a subsidiary and gain on discontinuance of equity accounting for a joint venture; while for 2019, change in fair value of financial assets and liabilities at FVTPL, change in fair value of investment properties, gain on deemed disposal of interest in a joint venture and net gain on resumption of certain land parcels at Qianhai and Shantou.

LIQUIDITY AND TREASURY POLICIES

As at 31 December 2020, the Group had approximately HK$11,290 million in cash and bank balances, 21.4% of which was denominated in Hong Kong dollar, 8.5% in United States dollar, 58.9% in Renminbi, 8.1% in Euro, 3.0% in Brazilian Real and 0.1% 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$5,822 million in total.

During the year, the Group incurred capital expenditure amounted to HK$2,061 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$27,806 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 ("**2020 Perpetual Capital Securities**"), to provide the Group's working capital. The 2020 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.

As at 31 December 2020, the Company had 3,661,088,416 shares in issue. The Company issued 212,140,646 shares under the Company's scrip dividend scheme during the year.

As at 31 December 2020, the Group's net gearing ratio [Note 2] was approximately 25.4%.

The Group had aggregate bank loans, listed notes payable and perpetual capital securities of HK$32,673 million as at 31 December 2020 that contain customary cross default provisions.

As at 31 December 2020, the Group's outstanding interest-bearing loans and notes are analysed as below:

	2020 HK$'million	2019 HK$'million
Floating-rate bank loans which are repayable as follows (Note (a)):		
Within 1 year	**6,916**	5,643
Between 1 and 2 years	**1,123**	1,850
Between 2 and 5 years	**3,793**	2,737
More than 5 years	**987**	866
	12,819	11,096
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	**772**	920
Between 1 and 2 years	—	47
Between 2 and 5 years	**796**	—
More than 5 years	**30**	28
	1,598	995

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

As at 31 December 2020, the Group's outstanding interest-bearing loans and notes are analysed as below: (continued)

	2020 HK$'million	2019 HK$'million
Floating-rate listed notes payable which are repayable:		
In 2021	182	249
In 2022	439	547
	621	796
Fixed-rate listed notes payable which are repayable:		
In 2020	—	1,557
In 2022	3,865	3,875
In 2023	6,944	6,964
In 2025	3,863	3,877
In 2028	4,602	4,616
	19,274	20,889
Fixed-rate unlisted notes payable which are repayable:		
In 2022	2,971	2,791
Loans from fellow subsidiaries which are repayable as follows (Note (b)):		
Within 1 year	148	509
Between 1 and 2 years	—	69
Between 2 and 5 years	152	287
More than 5 years	155	162
	455	1,027
Loan from immediate holding company		
Repayable within 1 year	934	366
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	520	454

Notes:

(a) All loans are unsecured except for the secured bank loans of HK$2,941 million (2019: HK$3,358 million).

(b) As at 31 December 2019, all loans were unsecured except for the secured loan from a fellow subsidiary of HK$167 million.

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

	Bank loans HK$'million	Listed notes payable HK$'million	Unlisted notes payable HK$'million	Loans from fellow subsidiaries HK$'million	Loan from immediate holding company HK$'million	Loan from a non-controlling equity holder of a subsidiary HK$'million	Total HK$'million
As at 31 December 2020							
HKD & USD	**7,645**	**19,274**	—	—	—	—	**26,919**
RMB	**5,082**	—	**2,971**	**455**	**934**	—	**9,442**
EURO	**1,191**	—	—	—	—	**520**	**1,711**
Brazilian Real	**499**	**621**	—	—	—	—	**1,120**
	14,417	**19,895**	**2,971**	**455**	**934**	**520**	**39,192**
As at 31 December 2019							
HKD & USD	5,068	20,889	—	—	—	—	25,957
RMB	4,703	—	2,791	1,027	366	—	8,887
EURO	1,380	—	—	—	—	454	1,834
Brazilian Real	940	796	—	—	—	—	1,736
	12,091	21,685	2,791	1,027	366	454	38,414

ASSETS CHARGE

As at 31 December 2020, bank loans of HK$536 million (2019: HK$474 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$458 million (2019: HK$417 million) and right-of-use assets with carrying value of HK$230 million (2019: HK$221 million). As at 31 December 2019, loan from a fellow subsidiary borrowed by a subsidiary of the Company amounting to HK$167 million was secured by right-of-use assets with carrying value of HK$135 million. In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary were pledged to various banks for bank loans of HK$2,405 million (2019: HK$2,884 million).

CONTINGENT LIABILITIES

Save as disclosed in note 40 (d) to the consolidated financial statements, the Group did not have any other significant contingent liabilities as at 31 December 2020.

MATERIAL ACQUISITIONS OR DISPOSALS

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

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

Save as disclosed in this Annual Report, the Group did not have any other plans for material investments or acquisition of capital assets as at 31 December 2020.

EMPLOYEES AND REMUNERATION

As at 31 December 2020, the Group employed 8,592 full-time staff, of which 200 worked in Hong Kong, 5,776 worked in Mainland China, and the remaining 2,616 worked overseas. The remuneration paid by the Group for the year amounted to HK$1,800 million, representing 27.4% of the total operating expenses of the Group. The Group at all times strives to maintain good relationships with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to the occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Upholding the principle of prioritising efficiency while ensuring fairness, the Group optimised its remuneration and incentive mechanism which is market-oriented, aligned with the operation and results of the Group and linked with labour productivity, with an aim to rejuvenating stronger vitality and impetus for the Group. The Group has effectively enhanced the market competitiveness of its remuneration system with such improvement. It also explored the innovation of its incentive mechanism with performance assessment being the key basis for allocating performance bonus, which compared the performance with its own in the corresponding period vertically and against the benchmarking peer companies horizontally. This not only reflected the actual results more comprehensively and objectively, but also brought the linkage between results and bonus closer. Through the three-year strategic assessment mechanism, the Group introduced the combination of mid-to-long term incentives with short-term incentives. Part of the bonus of the senior management of the Company will be delayed for distribution upon the three-year strategic assessment results, thereby guiding the attention on the Group's development throughout the short-term, mid-term and long-term, and hence supporting the balanced and sustainable development of the Group. Meanwhile, taking the opportunities for building an intelligent human resources management platform, the Group optimised and streamlined its human resources management system comprehensively. By establishing standardised procedures for goals setting, communication, review, feedback and improvement via the intelligent performance assessment system, the Group has strengthened the linkage between performance assessment and incentives in an effective manner. As a result, the Group was able to fully mobilise the enthusiasm of mid-to-senior management and core technical talents, which helped attract and retain outstanding managerial talents and key staff and ultimately realise enhancement of the Group's performance. The remuneration of directors has been determined with reference to the individual's duties and responsibilities in the Company, experience and the prevailing market conditions.

In 2020, facing the adverse environment with the worldwide spread of the COVID-19 pandemic, the Group focused on increasing its competitiveness. In addition to effective measures adopted in practice, by conducting an in-depth study of relevant indicators such as labour costs and profit ratio, the Group has promoted the enhancement of both quality and efficiency, as well as improvement of per capita performance. During the special period of pandemic prevention and control, while facilitating the resumption of work and production in an orderly manner, the Group also made dedicated efforts to assume its corporate social responsibilities, and as always put the health and personal safety of its employees as the priority, caring for their physical and mental well-being. The Group provided care and psychological health counselling for the employees and their family members through video guidance, online streaming, remote diagnosis and psychological counselling services via HR-Max, a comprehensive human resources management platform. The Group also utilised special funds to support pandemic prevention and control measures to minimise the impact of the pandemic. More merit-based incentives have been granted to frontline employees who participated in the prevention and control of the pandemic to recognise the outstanding performance of frontline employees in terms of pandemic control. Furthermore, the Group has formulated subsidy plans amid pandemic to show care for staff in real practice.

In 2020, the HKSAR Government has launched the "Employment Support Scheme" under the second round of the "Anti-epidemic Fund" to provide financial support to employers on salary payment to the employees, with an aim to achieve "employment security". CMCS, a wholly-owned subsidiary of the Company, which was eligible for the application under the relevant scheme, lodged applications to the HKSAR Government in June and August 2020 respectively and was granted a total subsidy amounting to approximately HK$6 million. In compliance with its undertakings, CMCS did not implement redundancies during the subsidised period and used all the subsidies on paying salary to the employees, thereby supporting the stability in the operation and employees of CMCS and securing employment as well as the rights and interests of the employees.

CORPORATE SOCIAL RESPONSIBILITY

While striving to improve its operating results and generating returns for shareholders, the Group also actively undertook its social responsibilities towards its employees, the society and the environment to facilitate sustainable development of the business and society.

The Group strictly abided by the relevant laws and regulations regarding environmental protection in the regions where operations are located, and regularly monitored and lawfully handled, among other things, air pollutants, water pollution, hazardous and non-hazardous waste, and noise pollution. In order to improve the results of energy conservation and emission reduction, as well as environmental management capabilities, the Group continued to optimise its environmental management system. In addition, energy conservation and environmental protection indicators were incorporated into the scope of annual assessment by formulating the assessment management system on energy conservation and environmental protection, aiming to facilitate a long-term mechanism for energy conservation and environmental protection.

The Group actively pushed its subsidiaries to adopt new energy conservation technologies and products, such as "Substitution of Fuel Powered Equipment with Electricity-Powered Equipment (油改電)" and "Shore-Powered Supply for Vessels (船舶岸基供電)". During the year, Shantou Port commenced the transformation project of "substitution of fuel-powered equipment with electricity-powered equipment (油改電)" for its rubber-tyred gantry cranes, which replaced fuel with clean and low-carbon electricity, thereby achieving zero emission of waste gas from the equipment and enhancing energy utilisation rate. The construction of the Shore-Powered Supply Project at its Guang'ao Port Zone Phase I was completed, with a view to reducing waste gas emission from berthing of vessels. The Group encouraged to give priority to environmental-friendly equipment during procurement, aiming to establish a green supply chain and strengthening climate risks management, pursuing the vision of building green ports. Moreover, by launching an online promotional campaign related to environmental protection, the Group has fully embedded the concept of energy conservation and emission reduction into daily office work.

Upholding the belief in mutual benefits, the Group placed great emphasis on building a relationship of mutual trust and support with the local community where operations are located. It is fully committed to giving back to the community by engaging in charity projects, such as the construction of infrastructure, cultivation of talents and assistance in education and health care. During the COVID-19 pandemic, the Group took the constructive initiative as a port operator on the transportation of supplies for pandemic prevention and containment by opening green paths for vessels loading with these supplies and offering fee reduction and waiver for laden containers carrying those supplies for using the warehouses and yards. Furthermore, the Group donated funding for procuring nucleic acid testing device and diagnostic kit to the government of Sri Lanka, as well as food and daily necessities to the local community. Donations of living essentials and supplies for pandemic prevention were also made to countries like Djibouti and Bangladesh, etc.

In 2020, the Group further developed the "Shaping Blue Dreams Together (C-Blue)" charity brand and established the "Global Care Walk" (全球關愛行) charity project system. It also continued to hold the "Shaping Blue Dreams Together — 21st Century C Blue Training Programme" (共鑄藍色夢想—21世紀海上絲綢之路優才計劃), with which the Group offered advanced online training courses related to port and shipping for 25 local postgraduate students from the port and shipping industry in Djibouti. This programme not only served as a learning and communication platform for young people from countries along the Belt and Road, but also contributed to enriching the talent pool for the Group and the global port and shipping industry. Besides, the Group carried out works regarding, amongst others, caring for the left-behind children and rural poverty alleviation with continuous effort. During the year, the newly upgraded "C-Blue Children Development Camp" (C-Blue兒童成長營) has been launched, through which the Group organised activities for and offered learning equipment and tailored courses to 135 students in Qiling Town, Wuhua County of Meizhou City in Guangdong Province. The Group also continued to push forward the "China Merchants Silk Road Hope Village" (招商絲路愛心村) project in Sri Lanka and facilitated the construction of a community activity centre in the Pannia Village to improve the living conditions of villagers, so as to give back to the local community.

FUTURE PROSPECTS

Looking into 2021, the pandemic remains the most significant uncertainty. Nonetheless, with the gradual rollout of vaccines, the effect of the pandemic on global economic and social activities will be reduced significantly and the world's economy is expected to recover with full speed. As the economic and trading activities return to normal, the economic growth of developed economies will increase steadily in 2021, and emerging markets and developing economies will face uncertainties in economic development subject to vaccination progress against COVID-19. The social and political turmoil in certain emerging economies will drag down economic growth, notably in regions such as the Middle East and North Africa. In January 2021, the IMF predicted the global economy to grow by 5.5% in 2021, representing a significant increase of 9.0 percentage points as compared to that of 2020. In particular, the developed economies will grow at 4.3%, up 9.2 percentage points as compared to that of 2020; and the emerging markets and developing economies will grow at 6.3%, up 8.7 percentage points as compared to that of 2020. Global trade volume (including goods and services) will grow by 8.1%, up 17.7 percentage points as compared to that of 2020.

The year 2021 follows China's conclusion of building a moderately prosperous society in 2020 and marks the first year of the execution of the "14^{th} Five-Year" Plan and 2035 Vision. China will proactively adapt to the new environment and new challenges. Adhering to the new development philosophy, it will promote high-quality economic and social development by intensifying the supply-side structural reform, paying attention to the management on the demand side and establishing the new dual circulation development model. As the first country swiftly restored its economy from the pandemic, China will continue to lead global economic recovery in 2021. According to the IMF's latest report, China's economic growth rate will rebound to 8.1% this year, probably making it one of the fastest-growing major economies.

In 2021, the global container shipping market continues to face uncertainties to some degree. Supply and demand imbalance of global shipping capacity, container shortage and port congestion will continue to support the strong container shipping market and result in a chain reaction to freight rates and shipping schedule reliability. If the COVID-19 pandemic is brought under control over time, shipping routes, shipping capacity and supply of containers may be normalised gradually and the freight rates of containers may retreat. Global economic recovery, among other positive factors, is expected to drive the shipping demand on all fronts.

Looking ahead to 2021, China will further open up its economy and implement policies and measures that favour foreign trade. Through broader, more extensive and in-depth opening up, it will establish the new dual circulation development model with circulations in the international and domestic markets facilitating each other. With further effects from innovation on the regulation in the pilot free trade zone, customs tariffs and institutional costs are expected to keep falling, and trade and investment facilitation will be further improved. Besides, the signing of the Regional Comprehensive Economic Partnership (RCEP) Agreement and the China International Import Expo will strengthen the cooperation between China and its trading partners and help drive the growth momentum of merchandise import and export, which will benefit the port industry for sure. Ongoing progress in the construction of intelligent ports and green ports will also rejuvenate the development of the port industry.

Based on the analysis and judgement above, in 2021, the Group will remain committed to the overall operation philosophy of making progress amid stability. It will firmly adhere to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes". It will improve the quality and efficiency by pushing the quality and efficiency improvement project and implement risk prevention with a focus on system development. In pursuit of high-quality growth, it will accelerate technology-led and innovation-driven development, striving to realise its strategic goal of becoming a "world-class comprehensive port service provider" by 2022.

In terms of the construction of homebase ports, the Group will press ahead at full steam with the development of world-class leading ports. It will refine and optimise the future development goals and action plans for the West Shenzhen Port Zone and boost the overall capabilities in line with the development plan of the Guangdong-Hong Kong-Macao Greater Bay Area. Through optimising resources allocation, enhancing the foundation of the management system, expanding ancillary and value-added services, and improving the standards of service, it will develop a port ecosystem for win-win outcomes. At the same time, the Group will give its best efforts to incorporate more intelligence elements into Mawan Smart Port to transform the West Shenzhen Port Zone into a leading smart port in the Guangdong-Hong Kong-Macao Greater Bay Area and the world with business innovation and enhanced regional influence. In terms of overseas homebase ports, the Group will continue to build them into international shipping hubs in South Asia with the focus on both the ports operation by strengthening the cooperation with shipping companies and the revitalisation of HIPG's existing assets to satisfy the demand of the projects in its industrial parks within the port zone.

In respect of the overseas business, the Group will continue to enhance the overall development plans for projects abroad in line with the overseas layout of "East-West routes, South-North routes, regions along the Belt and Road Initiative", and push the completion of acquisition for the remaining two terminals from CMA CGM SA in full swing by trying to finish the procedures as early as possible. The Group will complete the establishment of the management and control system for the overseas projects and continuously improve the operating effectiveness and efficiency of newly acquired overseas projects by optimising their management systems and leveraging on the competitive advantages of the overseas terminals in the region. Meanwhile, in the face of the current complex context of international affairs, it will keep abreast of changes in the trade environment and continuously monitor the investment opportunities of ports in high growth regions.

Regarding comprehensive development, the Group will closely adapt to the changes in the trade environment, seize opportunities brought by the adjustment of the global industrial chain and tap into favourable policies to expand the market. By fully integrating the resources from the port industrial chain, value chain, logistics chain and innovation chain, it will explore the comprehensive development model of "Port-Park-City" and seek for sustainable business development through "investment introduction to the industrial parks and comprehensive development for the land".

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

In respect of capital operation, adhering to its strategy and objectives, the Group will timely seize market opportunities to execute various projects and optimise its asset portfolio in accordance with the established capital operation plan. With the dual-wheel-driven model of "asset operation + capital operation", the Group will work diligently to achieve sustainable and high-quality development and enhance the return on shareholders' equity.

In terms of operation management, the Group, continuing with its strategy, will further carry out the optimisation of management and control and lay down the foundation for the normalisation of such work. The Group will gradually establish a management system on the entire lifecycle for its assets and satisfy the requirements on quality and progress of major construction projects. By the ongoing improvement of management standards for operation and the application scope of regulation systems, the Group will develop a world-class operation and management system that sustainably creates value, as well as a value-oriented management headquarters.

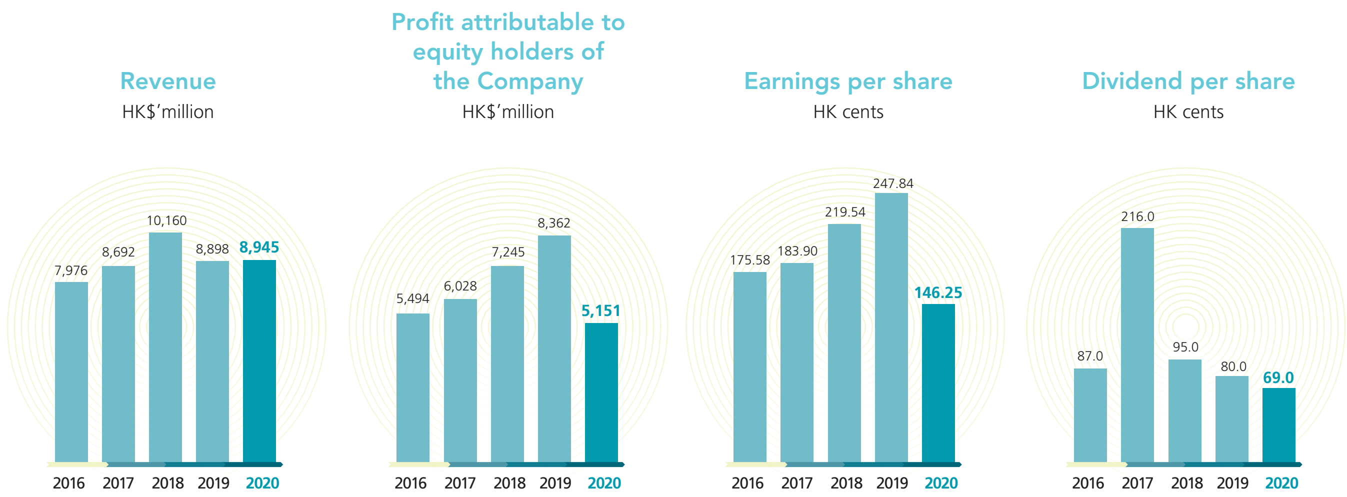
With regard to marketing and commerce, the Group will deepen the cooperation with the senior management of shipping companies and various customs, enhance interaction with end-customers, provide value-added services, strengthen customer loyalty and increase direct control and influence over cargo sources, so as to further promote the development of its foreign trade business and boost its market competitiveness. Meanwhile, it will actively explore development opportunities for domestic trade business in line with China's dual circulation model. With the establishment of the interconnected system for terminals in Northern and Southern China, the Group will expand its service of shipping routes to boost the business growth of ports within the areas where cargo originates.

In 2021, the uncertainties and risks arising from the COVID-19 pandemic and the US-China economic and trade frictions will linger on the global trade activities and merchandise volume of import and export. However, the gradual recovery of economic and trading activities around the world is expected to drive the total shipping demand. The further high-quality opening-up of the Chinese economy will increase the growth momentum for merchandise import and export and inject vitality into and bring about opportunities for ports business. The new digitalisation technology will also provide a new driver for the Group to build world-class ports. The Group will seize the opportunities of this era, enhance its core capability, continue to pursue its strategic focus and endeavour to maximise shareholder value as always. At the same time of striving to deliver better returns for its shareholders, the Group will also create values for its various stakeholders.

FIVE-YEAR FINANCIAL SUMMARY

Five-year Financial Summary

	2020 HK$'million	2019 HK$'million	2018 HK$'million	2017 HK$'million	2016 HK$'million
RESULTS					
Revenue	**8,945**	8,898	10,160	8,692	7,976
Profit before taxation	**7,158**	11,756	9,250	7,445	6,683
Profit for the year	**6,081**	9,238	7,955	6,701	6,206
Non-controlling interests	**878**	876	710	673	712
Profit attributable to equity holders of the Company	**5,151**	8,362	7,245	6,028	5,494
ASSETS AND LIABILITIES					
Non-current assets	**152,608**	136,572	129,138	118,899	97,100
Net current assets/(liabilities)	**1,864**	(3,012)	1,648	(2,477)	(3,131)
Total assets less current liabilities	**154,472**	133,560	130,786	116,422	93,969
Non-current liabilities	**40,837**	39,426	42,782	26,781	20,231
Non-controlling interests	**19,509**	14,351	12,683	16,194	7,830
Capital and reserves attributable to equity holders of the Company	**87,889**	79,783	75,321	73,447	65,908
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**146.25**	247.84	219.54	183.90	175.58
– Diluted (HK cents)	**146.25**	247.84	219.54	183.90	175.58
Dividend per share (HK cents)	**69.00**	80.00	95.00	216.00	87.00



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

The Board of Directors (the "**Board**") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2020.

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.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the requirements under the Companies Ordinance, the Securities and Futures Ordinance for, among other things, the disclosure of information, and the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") 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 2020.

In order to ensure effective communication with the shareholders, chairmen of the Audit Committee, Remuneration Committee and Nomination Committee and the external auditor were present at the annual general meeting of the Company held on 15 June 2020 to answer shareholders' questions.

BOARD OF DIRECTORS

The Board of the Company comprises:

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Fu Gangfeng *(Chairman)* (resigned on 13 February 2020)	Male	Chinese	54	1.8
Deng Renjie *(Chairman)* (appointed on 13 February 2020)	Male	Chinese	50	0.9
Su Jian (resigned on 22 March 2021)	Male	Chinese	48	3.2
Liu Weiwu (appointed on 22 March 2021)	Male	Chinese	56	N/A
Xiong Xianliang	Male	Chinese	53	2.6
Bai Jingtao *(Managing Director)*	Male	Chinese	55	5.6
Ge Lefu	Male	Chinese	57	1.6
Wang Zhixian	Male	Chinese	55	4.8
Zheng Shaoping	Male	Chinese	57	8.9

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Kut Ying Hay	Male	Chinese	65	28.6
Lee Yip Wah Peter	Male	Chinese	78	19.5
Li Ka Fai David	Male	Chinese	65	13.6
Bong Shu Ying Francis	Male	Chinese	78	10.5

During the year, the four Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, engineering and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

During the year, 13 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 2020	Attendance rate
Fu Gangfeng*	N/A	N/A
Deng Renjie*	12/12	100%
Su Jian**	12/13	92.3%
Liu Weiwu**	N/A	N/A
Xiong Xianliang	13/13	100%
Bai Jingtao	13/13	100%
Ge Lefu	13/13	100%
Wang Zhixian	13/13	100%
Zheng Shaoping	13/13	100%
Kut Ying Hay	13/13	100%
Lee Yip Wah Peter	13/13	100%
Li Ka Fai David	13/13	100%
Bong Shu Ying Francis	13/13	100%

* Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Company on 13 February 2020. Besides, Mr. Deng Renjie was appointed as Executive Director and Chairman of the Company on the same day.

** Mr. Su Jian resigned as Executive Director of the Company on 22 March 2021. Besides, Mr. Liu Weiwu was appointed as Executive Director of the Company on the same day.

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

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective supervision over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

At least fourteen days' notice of all regular board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary or his assistant assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all Directors at least three days before the date of every board meeting so that the Directors have the time to review the documents. Minutes of every board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at or before the following board meeting.

TRAINING AND SUPPORT FOR DIRECTORS

Every Board member is entitled to access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary or his assistant, and has the liberty to seek external professional advice if so required. The Company Secretary or his assistant continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Furthermore, all Directors participated in continuous professional development to develop and refresh their knowledge and skills and to ensure that their contribution to the Board remains informed and relevant.

During the year, the Directors participated in the following trainings:

Name of Director	Type of training
Fu Gangfeng	N/A*
Deng Renjie	A,B,C*
Su Jian	A,B,C**
Liu Weiwu	N/A**
Xiong Xianliang	A,B,C
Bai Jingtao	A,B,C
Ge Lefu	A,B,C
Wang Zhixian	A,B,C
Zheng Shaoping	A,B,C
Kut Ying Hay	A,C
Lee Yip Wah Peter	A,C
Li Ka Fai David	A,C
Bong Shu Ying Francis	A,C

A: attended seminars an/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.

* Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Company on 13 February 2020. Besides, Mr. Deng Renjie was appointed as Executive Director and Chairman of the Company on the same day.

** Mr. Su Jian resigned as Executive Director of the Company on 22 March 2021. Besides, Mr. Liu Weiwu was appointed as Executive Director of the Company on the same day.

DIRECTORS' SECURITIES TRANSACTIONS

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

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is responsible for the leadership and effective running of the Board and the Managing Director is delegated with the authorities to manage the business of the Group in all aspects effectively. The Chairman of the Board is Mr. Deng Renjie (appointed on 13 February 2020) and the Managing Director of the Company is Mr. Bai Jingtao. Besides, the then Chairman of the Board was Mr. Fu Gangfeng who resigned on 13 February 2020.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 89 of the Company's articles of association (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has fixed the term of appointment for Independent Non-executive Directors to a specific term of three years. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Article 89 of the Articles of Association.

According to Article 95 of the Articles of Association, the Board has the power to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In considering the appointment of a Director, the Board will take into account the professional qualifications, experience in relevant industries, management expertise and the potential contribution of such Director to advance the overseas expansion plan of the Company.

At a Board meeting held on 13 February 2020, the Board resolved to appoint Mr. Deng Renjie as an Executive Director and Chairman of the Company.

At a Board meeting held on 22 March 2021, the Board resolved to appoint Mr. Liu Weiwu as an Executive Director of the Company.

In respect of the appointment of Mr. Deng Renjie and Mr. Liu Weiwu, the Board has taken into consideration, inter alia, his qualification, management expertise and experience in relevant industries.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012. It comprises one Executive Director and four Independent Non-executive Directors. Two meetings were held in 2020. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2020	Attendance rate
Kut Ying Hay (Chairman of the Nomination Committee)	2/2	100%
Bai Jingtao	1/2	50%
Lee Yip Wah Peter	2/2	100%
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the year, the Nomination Committee has 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 has made recommendation to the Board on the appointment of Mr. Deng Renjie as Executive Director and Chairman of the Company to fill the vacancy caused by resignation of Mr. Fu Gangfeng on 13 February 2020 and has also made recommendation to the Board on the appointment of Mr. Liu Weiwu as Executive Director of the Company to fill the vacancy caused by resignation of Mr. Su Jian on 22 March 2021.

A Board Diversity Policy was adopted in August 2013. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee developed measurable objectives to implement the Board Diversity Policy, where selection of candidates will be based on a range of diversity perspectives as set out above, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In light of the latest amendments made to the Corporate Governance Code (effective on 1 January 2019), the Board has further adopted a nomination policy (the "**Nomination Policy**"), on 17 December 2018.

Nomination Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Willingness to devote adequate time to discharge duties as a member of the Board;
- Board Diversity Policy and any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent non-executive directors in accordance with the listing rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Such other perspectives appropriate to the Company's business or as suggested by the Board.

Nomination Process

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy. When it is necessary to fill a casual vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Committee, with or without assistance from external agencies or the Company. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment. The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

Pursuant to the Articles of Association, Mr. Xiong Xianliang, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Liu Weiwu shall hold office until the next following general meeting of the Company and shall be eligible and offer himself 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.

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

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of Independent Non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in January 2005. It comprises one Executive Director and four Independent Non-executive Directors. One meeting was held in 2020. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2020	Attendance rate
Li Ka Fai David (Chairman of the Remuneration Committee)	1/1	100%
Bai Jingtao	0/1	0%
Kut Ying Hay	1/1	100%
Lee Yip Wah Peter	1/1	100%
Bong Shu Ying Francis	1/1	100%

During the year, the Remuneration Committee has reviewed and recommended for approval by the Board the remuneration of the Directors and senior management with reference to the nature of their work, complexity of the responsibilities and performance. No Director took part in any discussion about his own remuneration.

The Company has adopted a new share option scheme on 9 December 2011 in place of the previous share option scheme which was terminated on the same day, which serves as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme are set out on pages 100 to 102 of the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

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

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. either (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. Factors which should be taken into consideration include but not limited to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

6. to make recommendations to the Board on the remuneration of Non-executive Directors;

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

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

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

Pursuant to code provision B.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management (exclude Directors) by band for the year ended 31 December 2020 is set out in note 11 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which should give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2020, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("**HKFRSs**") and Hong Kong Accounting Standards ("**HKASs**") 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 115 to 120.

AUDIT COMMITTEE

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

The Audit Committee meets at least twice a year. Three meetings were held in 2020. The minutes of the Audit Committee meetings were tabled at next Audit Committee meetings for Committee Members to take note and for action where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2020	Attendance rate
Lee Yip Wah Peter (Chairman of the Audit Committee)	3/3	100%
Kut Ying Hay	3/3	100%
Li Ka Fai David	3/3	100%
Bong Shu Ying Francis	3/3	100%

During the meetings held in 2020, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2019 and for the six months ended 30 June 2020;

(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 2019;

(v) reviewed and recommended for approval by the Board the 2020 audit scope and fees; and

(vi) reviewed the connected transactions entered into by the Group during 2019.

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

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

3. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

5. Regarding to item (4) above:

(i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

6. to review the Company's financial controls and risk management and internal control systems;

7. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

10. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls and management's response;

11. to review the Company's statement on risk management and internal control systems (which is included in the annual report) prior to endorsement by the Board;

12. where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

15. to act as the key representative body for overseeing the Company's relationship with the external auditor;

16. to report to the Board on the matters of the terms of reference of the Audit Committee;

17. to review the Group's financial and accounting policies and practices;

18. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

19. to review and monitor the training and continuous professional development of directors and senior management;

20. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, and to review and evaluate the effectiveness of the Company's compliance management policies which enable the Company to achieve its goal in compliance management;

21. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

22. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report set out in Appendix 14 to the Listing Rules; and

23. to consider other topics, as defined by the Board.

AUDITOR'S REMUNERATION

During the year under review, the remuneration to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK$'million
Audit services	7
Non-audit services	
(Tax, compliance	
and advisory services)	2
Total	9

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 Strategy and Operations Department, Business Development Department and International Division 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 Operations Department and Board of Directors and Legal 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 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 Strategy and Operations Department, Group Marketing and Commercial Department, Engineering and Information Technology Department, Safety Production Management Committee Office 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 Engineering and Information Technology 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 Internal Control and Audit Department encompasses monitoring the authenticity and compliance of economic activities (e.g. finance, operation and investment), leading and organizing risk management and self-assessment of internal control, and ensuring all operational management activities are under control by assessing, tracking and preventing material risks, as well as establishing risk management and Internal control systems that is scientific and effective.

The Board and the Audit Committee assess the effectiveness of the Group's risk management and internal control systems which covers all material controls, including financial, investing, marketing, operation, project construction and regulations compliance and risk management functions and consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget on an annual basis. The Internal Control and Audit Department conducts independent reviews of risks associated with and controls over various operations and activities. Significant findings on internal controls, assessment on risk management and self-assessment on internal control system are reported regularly to the Audit Committee each year.

The Board considers that the Group's risk management and Internal control systems are effective and adequate.

COMPANY SECRETARY

The Company Secretary, Mr. Leung Chong Shun, is a practicing solicitor in Hong Kong. Although he is not a full-time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Ms. Carol Cheng Pui Wai, Executive General Manager of Board of Directors and Legal Department of the Company. The Company Secretary has confirmed that he has taken no less than fifteen hours of relevant professional training during the year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Dividend policy

The Board has approved and adopted a dividend policy on 17 December 2018 (the "**Dividend Policy**"). Under the Dividend Policy, the Company may declare and pay dividends to the shareholders of the Company. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company. There can be no assurance that dividends will be paid in any particular amount for any given period.

General Meetings with Shareholders

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit and Remuneration Committees (or their duly appointed delegates) together with the external auditor are present to answer shareholders' questions. Circulars which set out relevant information of the proposed resolutions are distributed to all shareholders at least ten business days before the extraordinary general meeting and at least twenty business days before the annual general meeting.

At the 2020 annual general meeting held on 15 June 2020 (the "**AGM**"), the Chairman of the meeting demanded that all resolutions proposed at the meeting to be voted by poll. The procedures for conducting a poll were explained at the meeting. The results of the poll were published on the websites of the Company and the Hong Kong Stock Exchange. The attendance of each Director at the general meetings held in 2020 is set out as follows:

Name of Director	Number of general meeting attended in 2020
Fu Gangfeng*1	N/A
Deng Renjie*2	1/1
Su Jian*3	1/1
Liu Weiwu*4	N/A
Xiong Xianliang	0/1
Bai Jingtao	1/1
Ge Lefu	0/1
Wang Zhixian	0/1
Zheng Shaoping	0/1
Kut Ying Hay	0/1
Lee Yip Wah Peter	1/1
Li Ka Fai David	1/1
Bong Shu Ying Francis	1/1

*1 Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Company on 13 February 2020, he did not attend the AGM.

*2 Mr. Deng Renjie was appointed as Executive Director and Chairman of the Company on 13 February 2020.

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

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

CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's Articles of Association.

SHAREHOLDERS' RIGHTS

Pursuant to sections 566 to 568 of the Companies Ordinance, shareholder(s) representing at least 5 per cent of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can make a requisition to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting, and must be authenticated by the person or persons making it and sent to the Company either in hard copy form or in electronic form. Besides, pursuant to sections 615 to 616 of the Companies Ordinance, shareholder(s) of the Company can request the Company to give notice of a resolution and move such resolution at an annual general meeting, provided that such a request is made by (i) shareholder(s) of the Company representing at least 2.5 per cent of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates. Such a request must identify the resolution of which notice is to be given, be either in hard copy form or in electronic form and authenticated by the person or persons making it, and be received by the Company not later than six weeks before the annual general meeting to which the request relates or, if received by the Company later than the time as stated above, the time at which notice is given of that meeting. Procedures for shareholders to propose a person for election as a director have been uploaded to the Company's website.

INVESTOR RELATIONS

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner.

The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors.

Shareholders may at any time send their enquiries and concerns to the Board 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.: 2587 8811

The 2021 annual general meeting of the Company will be held at 9:30 a.m. on Tuesday,1 June 2021 at Granville & Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social and Governance Report (the "**ESG Report**") aims to review the Group's management strategies, actions and achievements in the area of sustainable development in 2020, while also focuses on addressing the concerns of key stakeholders on the Group's sustainable development. To provide a comprehensive overview of the Group's environmental, social and governance ("**ESG**") performances, the ESG Report shall be read in conjunction with the section headed "Corporate Governance Report" in the Annual Report.

Reporting Scope

The ESG Report describes the sustainable development performance of businesses that are financially and operationally significant to the Group, as well as entities that have a significant impact on the Group's ESG performance. The social data performance in the ESG Report covers the Group's overall business scope, while the environmental data performance covers the Group's subsidiaries in ports operation and bonded logistics operation. Unless otherwise stated, the reporting period is from 1 January 2020 to 31 December 2020.

Reporting Guidelines

The Group has prepared the ESG Report in accordance with the *Environmental, Social and Governance Reporting Guide (2016 Edition)* (the "**ESG Guide**") under Appendix 27 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"). The ESG Report complies with the "comply or explain" provisions of the ESG Guide and adheres to the four reporting principles, which are "materiality", "quantitative", "balance" and "consistency" as the basis for preparation of the ESG Report.

Materiality	Quantitative	Balance	Consistency
After the Group has conducted materiality assessment and collected stakeholders' feedback, the importance levels of various sustainable development issues to the Group and stakeholders in 2020 were assessed, thus serving as the disclosure focus of the ESG Report.	The Group optimised the environmental and social data collection tools during the year. Meanwhile, the ESG Report strengthens the disclosure of environmental and social performance data, demonstrating the Group's commitment to managing the environmental and social performance. In order to present the Group's performance changes over the years, the ESG Report also presents some historical data of the Group.	The ESG Report discloses the Group's progress and challenges in sustainable development management, so as to fully demonstrate the Group's sustainable development performance.	The statistical methods used in the ESG Report are generally consistent with those used in previous years, and explanation is provided on any changes in relevant factors, such as statistical methods or key performance indicators.

Reporting Statement

The Board is fully responsible for the ESG strategies formulation and related reporting. The ESG Report is published in two languages: Traditional Chinese and English. Should there be any discrepancy in the understanding of the content, the Traditional Chinese version shall prevail.

ABOUT THE GROUP

Renowned for its remarkable history as well as strategic vision and foresight, the Group has established an unrivalled position in the ports industry in both the PRC and worldwide. We are the flagship company of China Merchants Group Limited and its subsidiaries ("**CMG Group**"), the longest standing and the most renowned shipping company in the PRC. The ports and logistics operation of CMG Group had expanded across the PRC as far back as in the 19th century. The Group is now a global leading port developer, investor and operator, with a comprehensive port network across the hub locations along coastal China. The terminals, which the Group became the controlling shareholder of or those the Group has interest in, are located in hub locations across Shenzhen, Hong Kong, Shanghai, Ningbo, Qingdao, Tianjin, Dalian, Zhangzhou, Zhanjiang, Shantou and Taiwan, as well as in South Asia, Africa, Americas, Oceania, Europe and Mediterranean Sea, amongst others.

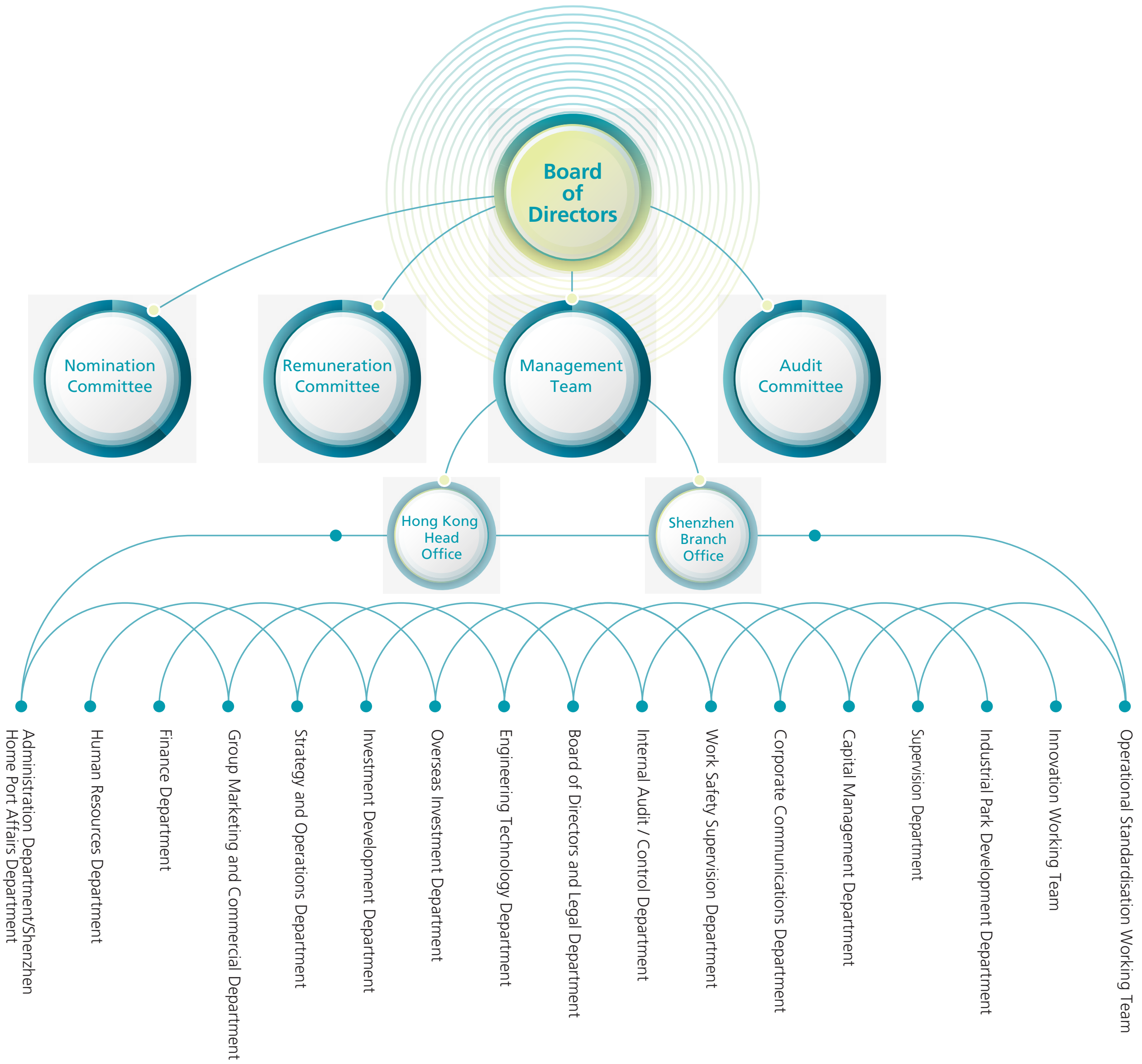
At the end of 2020, the Group has invested in 41 ports located at 25 countries and regions and the container throughput handled during the year amounted to 120.52 million TEUs. The Group has earned itself a reputation across the industry, leveraging on the professional management experience accumulated for years, its self-developed global leading ports operating system and integrated logistics platform for import and export, its extensive maritime logistics support system, the modern and all-rounded integrated logistics solutions it offers, its quality engineering management, and the outstanding and reliable services it provides. The Group's vision is "to be a world's leading comprehensive port service provider". Through implementation of domestic, overseas and innovation strategies, the Group continues to achieve world-class level on various fronts, including container throughput of global ports, market share, comprehensive port development, operational management capabilities, resource utilisation, labour productivity and brand name, etc.

RESPONSIBILITY MANAGEMENT

Corporate Governance

Comprehensive Governance Structure

The Group is committed to upholding a robust and high-standard corporate governance. The Group has established standardised, transparent, open and efficient corporate governance structure and corporate governance rules in accordance with the straight compliance of prevailing laws, regulations and relevant requirements and its own production and operational practices. The duties and authorities regarding various aspects, including decision, execution and supervision, are clearly defined, thus forming a mechanism with highly effective division of responsibilities as well as checks and balances. The Group executes various policies pursuant to the laws and regulations under the supervision of the Board. The Board has established the Audit Committee, Nomination Committee and Remuneration Committee. The terms of reference of each committee is clearly set out in written form with its relevant powers and responsibilities, and the Board is assisted by each committee for discharging its duties and strengthening effective management, thereby achieving healthy and sustainable development of the Group as a whole through a professional, standardised and transparent approach.



Members of the Board

The Board members are fully committed to their roles and have acted in good faith to maximise shareholders' value in the long run, and aligned the Group's goals and directions with the prevailing economic and market conditions, to protect the long-term value and interests of shareholders and stakeholders. (For detailed information related to the Company's governance, please refer to the section headed "Corporate Governance Report" in the Annual Report.)

Sustainable Development Management

Adhering to the principle of sustainable development, the Group establishes its sustainable development concept system with responsible corporate mission, vision, core values, philosophy and corporate spirit, and strives to achieve value sharing and mutual benefit and promote a healthy, sustainable, stable and harmonious social development.

Our Mission

We connect the world

Our Vision

To be a world's leading comprehensive port service provider

Our Core Value

To achieve mutual benefits through self-improvement and collaboration

Our Guidelines

Three Principles

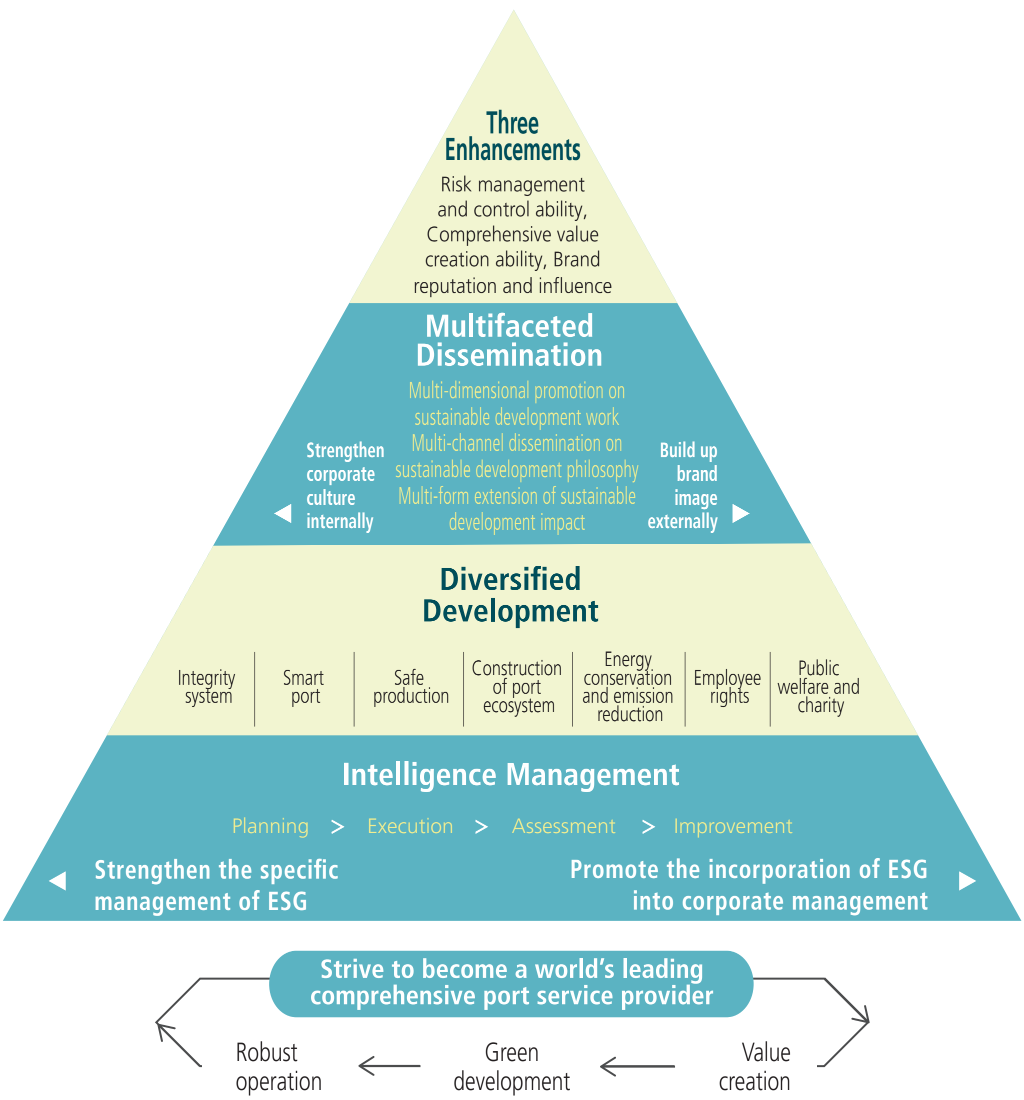
- Service-oriented with a focus on integrity and stability
- Efficient execution through collaborative efforts
- Integration of theory and practice with strong commitment

Eight Reminders

- Being attentive at work
- Being responsible
- Being eager to learn
- Being innovative
- Being disciplined and value effectiveness
- Being self-respectful and self-disciplined
- Being collaborative in seeking development
- Being united in seeking self-improvement

The Group strongly believes robust corporate governance and effective sustainable development management are important safeguards for an enterprise to realise its corporate vision and mission and to achieve business sustainability. With a focus on strengthening the ability of achieving sustainable development, the Group continues to reinforce sustainable development in coordination with business operation policies, while proactively facilitating the integration of sustainable development elements into functional departments' daily work and business processes. The Group also actively assumes corporate social responsibility to create integrated values for its stakeholders, including shareholders, the government, customers, employees and business partners, with the aim of promoting sustainable development of both the entity and the society.

The Board formulates the overall strategy of the Group and maintains effective supervision over the management, and is responsible for reviewing and approving annual ESG report. The Group has established a working network regarding sustainable development that involves deep engagement of the management, horizontal collaboration of professional departments and vertical communication of employees at different levels and has formed a "mission-oriented" sustainable development promotion model. Under the supervision of the management, the Group's sustainable development duties can be carried out jointly by various functional departments and promoted to various subsidiaries for implementation, and to implement specific works and regularly summarise the performance of sustainable development efforts, laying the foundation for the systematic implementation of sustainable development actions. In 2020, the Group used digital platform to conduct the work on managing ESG information. Each department and each subsidiary makes use of the digital platform to record relevant ESG information and data, striving to improve the management of sustainable development performance.



Risk Management and Control

A proper risk management and control mechanism is of paramount importance for managing risks and seizing opportunities. The Group has established a comprehensive risk management system in accordance to *Measures for Risk Management* (《風險管理工作辦法》), to ensure the elements for efficient implementation of internal control and risk management, including the establishment of a risk management functional system, the formulation of risk management strategies, the implementation of regular material risks assessment, the identification of material risks and allocation of responsibilities, so that the potential risks in business environment can be prevented and controlled.

With the basis of the existing risk management and response mechanism, the Group conducted an ESG risk assessment in 2020. Through performing the megatrends analysis, the sustainable development megatrends and potential ESG risks related to the port industry are predicted, and potential ESG risks are further selected and prioritised based on "severity of potential negative impacts" and "possibility of occurrence" to identify ESG risks related to the Group. The results of the ESG risk assessment will assist the Group to develop more proactive ESG management strategies and to better manage and control the ESG risks. In 2020, the Group identified 1 high-level ESG risk, 1 moderate-level ESG risk and 8 low-level ESG risks.

High-level risks	Moderate-level risks	Low-level risks
• Disruption of supply chain	• Compliance and business ethics risks	• Environmental compliance risks • Climate change risks • Loss of natural resources and biodiversity • Occupational health and safety production risks • Shortage in talent reserve • Human rights and labour practices • Technological innovation and digital transformation • Information security and cyber incidents

The Group has formulated corresponding risk response strategies targeting high-level and moderate-level risks, and implemented relevant risk management and control measures in daily duties by various departments to prevent the occurrence of major risk events. Meanwhile, the Group also continuously monitors and controls low-level risks to protect business development.

Disruption in Supply Chain	Compliance and Business Ethic Risks
• Potential impacts: disruption in supply chain when facing unexpected events (e.g. natural disasters, infectious diseases, political risks etc.) may affect interconnected logistics, information and capital flow between corporates, which may cause interruption in operations and directly affect the achievement of corporate's strategic objectives. • Response measures: compile and implement the *Overall Emergency Response Plan* (《突發事件總體應急預案》) to comprehensively standardise the procedures for handling natural disasters, accidents, public health and social security incidents, in order to enhance the ability to prevent and handle emergencies, minimise and prevent casualties and property losses caused by emergencies, and organise the resumption of corporate production activities in a timely manner.	• Potential impacts: changes in external legal political environment and inconsistent regulatory requirements across the region may cause an increase in corporate's compliance risks, and exposure to penalties or legal disputes, resulting in financial and reputational losses to the corporate. • Response measures: enhance the development of legal compliance organisational system and professional capability, and keep track of changes in the external law environment, develop compliance risk inventory and compliance risk checklist, formulate corresponding risk projection and mitigation plan based on the category and level of risks, carry out compliance inspection in the key areas with high compliance risks, as well as implement daily supervision mechanism such as legal review.

RESPONSIBILITY COMMUNICATION

Stakeholders Engagement

Establishing a close relationship with stakeholders through continuous communication is the key to the Group's sustainable development. The Group maintains good communication with stakeholders through different channels, to continuously enhance the transparency of the business operations and to fully understand the concerns and expectations of various stakeholders towards the Group and thus formulating sustainable development plan and management strategies accordingly. The following table summarises the communication channels and methods between the Group and stakeholders, stakeholders' expectations and demands as well as the Group's responses:

Stakeholders	Communication channels and methods	Expectations and appeals	Our response
Shareholders and investors	• Information disclosure • General meetings • Work meetings • Exchanges and visits	• Transparent financial information disclosure • Strengthen risk management and control • Create economic value • Maintain and increase the values of state-owned assets	• Refine corporate governance and management of investor relations • Maintain growth of business and profitability, and continue to enhance its position in the industry • Enhance operational transparency
Government and regulatory authorities	• Daily reporting and communication • Meetings and exchange activities	• Compliance operation and tax payment in accordance with the laws • Support local development • Protect local environment	• Implement policies and pay tax in accordance with the laws • Optimise the management of its terminals and actively implement corporate social responsibility
Customers	• Information disclosure • Responses to and handling of customers' feedback • Customer satisfaction survey	• Provide quality service • Safeguard information security	• Satisfy customer's needs and improve customer satisfaction • Develop smart ports by innovating the form and content of our services • Protect customer information
Partners	• Project cooperation • Work meetings • Daily communication	• Transparent cooperation with integrity • Mutual support and win-win development	• Establish responsibility supply chain • Seek for comprehensive development partnership opportunities
Employees	• Regular meetings • Standardised trainings • Exchange activities	• Secure basic rights • Smooth career development path • Work-life balance	• Protect worker's legal rights • Provide market comprehensive salaries and benefits, as well as trainings and employee caring activities • Create safe and healthy working environment
Environmental charitable organisations	• Environmental information disclosure • Environmental protection campaigns	• Reduce environmental impacts caused by operating activities • Lead the industry to enhance its green development capability	• Strengthen environmental management and enhance environmental awareness • Commence green operation and conduct energy conservation transformation • Promote green development of the industry
Community	• Charitable events • Volunteering services • Information disclosure	• Promote regional development • Support public welfare and charity	• Promote the development of countries and regions where it operates • Establish the charity brand "Shaping Blue Dreams Together (C-Blue)" • Encourage employees to participate in volunteering activities

Materiality Assessment

In 2020, To further understand the key concerns of the Group's stakeholders and to confirm the scope of key disclosure of the ESG Report, the Group conducted the materiality assessment through survey, detailed procedures of which are as follows:

Identification 01

The Group communicated with major stakeholders to understand their expectations. With combination of references made to the ESG Guide, industry peer benchmark analysis and corporate development characteristics, a total of 24 sustainable development issues (including 9 from environmental aspect, 6 from social aspect and 9 from operational aspect) were shortlisted, and the Group's sustainable development issue pool was created.

Ranking 02

The Group invited internal and external stakeholders, including the Directors, management, shareholders and investors, general employees, customers, suppliers and business partners, to participate the assessment in form of online questionnaires. Internal and external stakeholders ranked each sustainable development issue from the issue pool according to the degree of concern. A total of 1,544 valid questionnaires were received.

Assessment 03

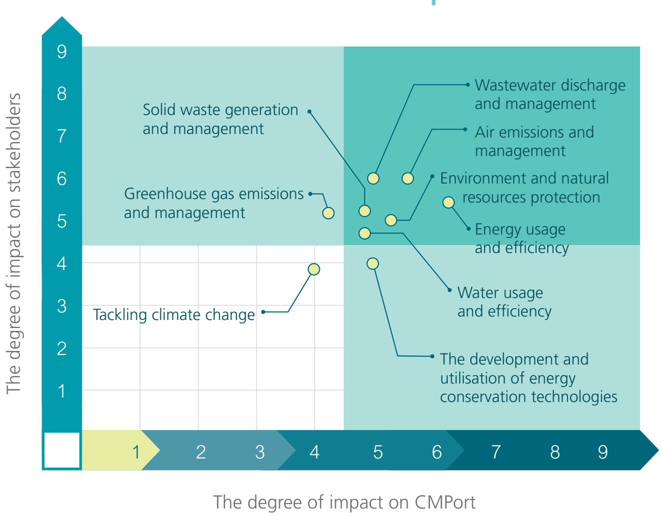
The Group has examined the materiality of each issue based on two dimensions, namely "the degree of impact on CMPort" and "the degree of impact on stakeholders", 6 issues in environmental aspect, 4 issues in social aspect and 4 issues in operational aspect were identified as 1st tier issues respectively.

Review 04

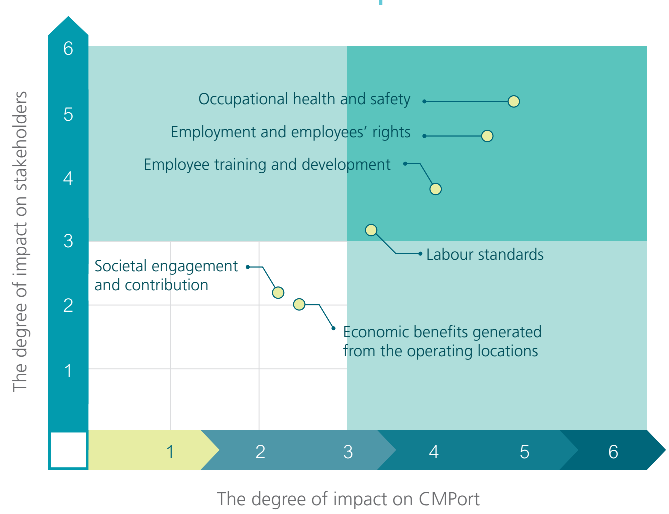
The Group reviewed the selected material issues and confirmed their importance to the Group's stakeholders, and then disclosed specifically in the ESG Report.

The results of the materiality assessment are shown in the following diagrams:

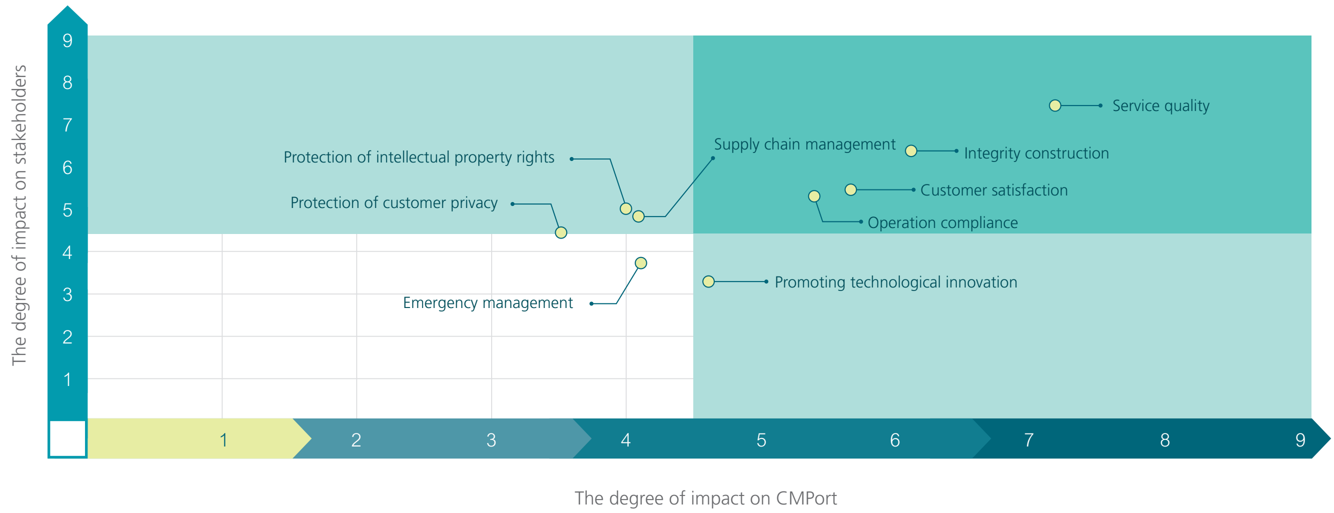
Materiality Matrix - Environmental Aspect



Materiality Matrix - Social Aspect



Materiality Matrix - Operational Aspect



Material Issues	Environmental Aspect	Social Aspect	Operational Aspect
1st Tier Issues[1] (Issues distributed in the dark blue area of the materiality matrix)	• Air emissions and management • Wastewater discharge and management • Energy usage and efficiency • Solid waste generation and management • Environment and natural resources protection • Water usage and efficiency	• Occupational health and safety • Employment and employees' rights • Employee training and development • Labour standards	• Service quality • Integrity construction • Customer satisfaction • Operation compliance
2nd Tier Issues [2] (Issues distributed in the light blue area of the materiality matrix)	• Greenhouse gas emissions and management • The development and utilisation of energy conservation technologies	—	• Protection of intellectual property rights • Supply chain management • Protection of customer privacy • Promoting technological innovation
3rd Tier Issues[3] (Issues distributed in the white area of the materiality matrix)	• Tackling climate change	• Societal engagement and contribution • Economic benefits generated from the operating locations	• Emergency management

[1] 1st Tier Issues: Details about strategies and practices are stated in the ESG Report as responses.

[2] 2nd Tier Issues: Relevant practices are included in the ESG Report as responses.

[3] 3rd Tier Issues: Ongoing attention.

COMPLIANT OPERATION, CONSTRUCTING AN ENVIRONMENT WITH INTEGRITY

Upholding Anti-corruption and Integrity

The Group conscientiously applies the principles of operation integrity, and strictly complies with the laws and regulations and requirements from regulatory authorises in the regions where the Group operates, including but not limited to regulations such as *Anti-Monopoly Law of the People's Republic of China* (《中華人民共和國反壟斷法》), the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》), *Company Law of the People's Republic of China* (《中華人民共和國公司法》) and *Prevention of Bribery Ordinance* (《防止賄賂條例》) of Hong Kong. The Group has implemented the *Administration Measures on the Investigation, Prevention and Control of Integrity Risk Points (Trial)* (《廉潔風險點排查防控管理辦法(試行)》) to establish an integrity risk investigation mechanism and regularly conduct risk investigation in key operational processes and sections for the formulation of practical anti-corruption measures. The Group has also formulated policies such as *Administration Measures on Compliance in Souvenirs and Hospitality* (《紀念品與接待合規管理辦法》), *Administration Measures on Compliance in Donations and Sponsorships* (《捐贈與贊助合規管理辦法》), *Administration Measures on Compliance in Business Partnerships* (《商業夥伴合規管理辦法》) to regulate employees' integrity and self-discipline behaviour internally and to strengthen compliance control over business partners such as suppliers, customers and investors externally, to prohibit any unlawful acts against business ethics, and to continuously enhance the standard of corporate governance. The Group also complies with the national policies such as *Guidance on Compliance Management for Central Stated-Owned Enterprises (Trial)* (《中央企業合規管理指引 (試行) 》), at the same time refers to external standards such as the *World Bank Group Integrity Compliance Guidelines* (《世界銀行合規指南》), OECD Council's *Good Practice Guidance on Internal Controls, Ethics, and Compliance* (《內控、道德與合規最佳實踐指南》) in an effort to maintain operation compliance.

Moreover, the Group has established an extensive and open whistleblowing channel and amended the *Administration Measures on Managing Problematic Clues and Cases* (《問題線索處置及案件管理辦法》) to clearly specify the responsible scope and handling procedures, encouraging whistleblowers to use methods such as phone call, email, fax, letter, WeChat, SMS or interview to report on any organisations' and individuals' illegal and undisciplined misconduct. After receiving the report, the Supervision Department shall verify the problem clues, conduct examinations and investigations for reports that fulfil the case initiation requirements, and transfer the suspected non-compliance case to the procuratorate. The Group accepts anonymous reports but advocates reporting in real names and ensures the whistleblower's personal information and problem clues are kept strictly confidential. In 2020, the Group did not identify any illegal and non-compliance incidents relating to bribery, extortion, fraud and money laundering.

Promoting Anti-corruption Education

The Group continued to organise anti-corruption education for employees during the year, such as trainings on discipline, warning education and conferences to strengthen their awareness of self-discipline. Besides, in order to enhance all employees' integrity and self-discipline awareness, the Group carried out daily integrity education and delivered regulations and case studies on integrity practices, anti-corruption, anti-laundering etc. through platforms including OA, email, WeChat etc., to strengthen employees' awareness of integrity practices.

Implementing Transparent Procurement

Regarding the potential risks along the supply chain, the Group has made the full use of the trading platform to implement procurement activities and required the close relatives or specific personnel of related parties in key positions such as purchasing and tendering to proactively declare and withdraw. At the same time, the Group resolutely resists commercial bribery and prohibits the acceptance of funds or banquet invitations in any forms from suppliers or their associated units/persons to strictly prevent any risks of corruption in business activities.

Case Study

Launching the Anti-corruption Warning Education Activity

In November 2020, the Group organised an anti-corruption warning education conference, in which typical cases were analysed to achieve "interpreting disciplines with cases, explaining regulations with cases" and to further strengthen the sense of responsibility, a total of 120 participants attended the conference.

PURSUIT OF EXCELLENCE, SUSTAINING A ROBUST DEVELOPMENT

Promoting Port Construction

In 2020, the Group has further promoted the improvement in quality and efficiency, and accelerated the digital transformation and upgrade of ports. Through the in-depth incorporation of new digital technologies, new development models of port production automation, management intelligence and service customisation are achieved to continuously increase the Group's competitiveness.

In terms of fostering the automation of port operation, the Group is currently using Mawan Smart Port as the carrier to create the first automatic and smart port in Guangdong-Hong Kong-Macau Greater Bay Area. The Mawan Smart Port Project is centring on a total of nine intelligence elements, which are "CMCore", "CM ePort", artificial intelligence, application of 5G network, Beidou high-precision positioning system, automation, smart customs, blockchain as well as green and low carbon operation, striving to enhance the operation level and provide high quality services.

In respect of creating a "smart management" platform, the Group will use business operation, management and information technology standardisation as the basis to improve the digital operations management system of the Group's head office and subsidiaries, implement smart operations management analysis and supervision, increase the Group's decision-making and management ability, with a view to enhancing the Group's intelligent management comprehensively.

Creating Customer Value

With the development philosophy of "customer first", the Group comprehensively explores customers' needs and strives to provide one-stop, all-rounded, high efficiency products and services to customers, as well as continues to communicate effectively with customers to build good relationships.

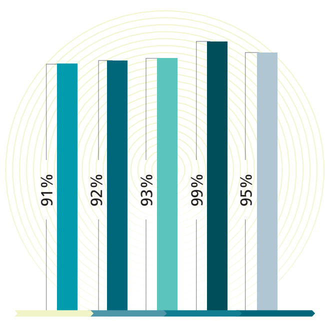
Maintaining Customer Satisfaction

In 2020, the Group further optimised the "CM ePort" customer service platform, to support the external customer services of ports, terminals and parks and to enhance the efficiency of external services so as to improve customer experience. New functions such as electric bills of lading, senseless billing service through face recognition and paperless goods importation process were launched based on customers' demands, which substantially reduced the operating costs as well as increased the logistic efficiency and realised an innovative business model, hence facilitating the enhancement of quality and efficiency for the Group and customers within the port ecosystem, and further promoting trading convenience.

In order to regulate the quality of customer services, the Group followed up on customer feedback and handled customer complaints and suggestions in a timely manner through effective communication with customers in its daily work, continuously improved the service quality to enhance the level of customer satisfaction. Through the promulgation and implementation of the customer service improvement mechanism under the *Administration Measures on Business Market (Provisional)* (《市場商務管理辦法 (暫行) 》), subsidiaries are required to formulate customer complaint handling procedures or systems, to record relevant information including the contents of customer complaints, complaint handling plans and progress etc., and to handle customer complaints and suggestions promptly. In case of more serious customer complaints, the head office will assist and supervise the subsidiaries to rectify the situation in a timely manner. In 2020, the Group did not receive any significant product and service-related complaints that escalated to the head office level. In addition, the Group and its control units communicated with customers through regular or irregular meetings and visits in their daily work, and collected feedback from customers through industry exhibitions, customer appreciation sessions and related industry events, swiftly taking corresponding actions to resolve problems based on the feedback information in a timely manner to enhance customer satisfaction practically.

During the COVID-19 pandemic, the Group actively played its role as a port enterprise in the transportation of supplies during the pandemic prevention and control, by providing a green path for vessels loading with supplies for pandemic prevention and containment. In addition, the Group's subordinate ports offered concessions on storage fees, port facility security fees and cargo port charges to tide over the difficult times together with customers.

Level of Customer Satisfaction of Certain Subsidiaries in 2020



- TCP Participações S.A. ("**TCP**")
- China Merchants Holdings (International) Information Technology Company Limited
- China Merchants Bonded Logistics Co., Ltd. ("**CMBL**")
- Colombo International Container Terminals Limited ("**CICT**")
- Shantou China Merchants Port Group Co., Ltd. ("**Shantou Port**")

Protecting Customer Privacy

The Group places great emphasis on safeguarding on information security. During the year, the Group compiled the *Administration Measures on Business Contracts* (《商務合同管理辦法》) to further standardise the confidentiality work procedures of business contracts and the transmission mechanism for confidential documents. To protect the privacy of our customers, dedicated personnel responsible for the management of contract files are assigned and designated equipment for information confidentiality are installed, and unauthorised access to or copying of relevant information is strictly prohibited. The Group has strengthened its publicity on confidentiality to enhance the awareness and capability of information confidentiality. In addition, the Group has classified customer information into various levels based on the degrees of confidentiality, formulated corresponding confidentiality measures to clarify the obligations and penalties for information leakage in order to prevent leakage of customer information and effectively protect the security of customer information. The Group stringently complies with the laws and regulations in relation to services on advertising, privacy matters and related remedies. There were no non-compliance incidents that had a significant impact on the Group in 2020.

Respecting Intellectual Property Rights

The Group complies with the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) and relevant laws and regulations and formulated the *Administration Regulations on Intellectual Property Rights* (《知識產權管理規定》) to standardise the management and protection of intellectual property rights such as patents, copyrights, and trademarks. The Group organised publicity and trainings on intellectual property compliance to create an atmosphere of intellectual property protection within the Group and to foster the understanding and compliance awareness among all employees. The Group has implemented a registration and management system for office computers, purchased genuine software and implemented a regular and routine compliance check mechanism. Moreover, the Group has established an infringement inspection mechanism to prevent infringement of third-party copyright.

To achieve responsible promotion and publicity, the Group complies with relevant laws and regulations including the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) to ensure the compliance and accuracy of its content. During exhibitions and event promotions, the Group strictly follows internal guidelines and procedures in events curation to avoid any copyright issues while actively promoting the brand image.

Sustainable Supply Chain Management

Persisted in win-win cooperation with its partners of the supply chain, The Group continuously improves its procurement process and supplier management system. The Group has formulated the *Implementation Rules for Supplier Management (Trial)* (《供應商管理實施細則(試行)》) in compliance with the supply chain management systems and standards of China Merchants Group, as well as the *Administration Measures on Engineering and Equipment Tenders* (《工程與設備招標管理辦法》) and the *Administration Measures on Goods and Services Tenders* (《貨物與服務招標管理辦法》), and to establish standardised regulations on supplier classification and grading, evaluation and incentives, and supplier withdrawal processes.

Facilitating Growth of Suppliers

During the tendering process, the procurement units investigate and verify the supplier's qualifications, credit background, production and operation site conditions as well as other performance on compliance and obligations associated to their business activities. In case of corrupt practices, information leakage, dishonesty, deficiencies in product or service qualities, falsification of materials or identities of the suppliers, they will be suspended, cancelled, or permanently disqualified from the selection process according to the degrees of severity and damage, ensuring that the products and services provided by the selected suppliers meet the Group's environmental and social standards. Supplier management departments at all levels conduct annual assessment and evaluation for suppliers with contract performance activities during the evaluation period to assess or adjust the supplier's rating based on the evaluation results.

- **Conducting Classification Management**

The Group implements a categorisation and classification management for suppliers, pursuant to which suppliers are classified into four classes, namely A, B, C and D. Classes A, B, C and D represent "Excellent Supplier", "Good Supplier", "Average Supplier" and "Disqualified Supplier", respectively.

- **Encouraging Responsible Suppliers**

In order to facilitate the growth of suppliers, the Group evaluates suppliers from the aspects of comprehensive corporate strength, transactional behavior, performances of contracts and other management. Under the same conditions, procurement units may give priority consideration to invite class A suppliers within relevant professional sectors for participation in tendering/procurement projects within their competence.

- **Promoting Interactions with Suppliers**

The Group regularly interacts with original equipment manufacturer (OEM) suppliers, distributors and project contractors through various channels such as mails, phone conversations and interviews, aiming to grow together with suppliers.

Number of Suppliers[4]	2020
Total	928
By Geographical Region	
Mainland China	720
Hong Kong, Macau, Taiwan and Other Countries	208
Number of Suppliers with Assessment Conducted	477
Number of Unqualified Suppliers Eliminated	2

[4] The number of suppliers does not include the data of CICT and Lomé Container Terminal S.A. ("**LCT**"), which will be further disclosed in the future.

Fostering Green Supply Chain

To achieve the goal of building a green supply chain for port operation, the Group requires the suppliers to strictly carry out civilised and environmentally friendly construction of projects without any valid complaints, and encourages suppliers to effectively implement measures to prevent pollution at construction sites so as to ensure a favourable environment at construction sites. The Group also incorporates sustainability requirements into the entire procurement process of the head office and subsidiaries, including supplier certification, product selection, procurement performance and supplier withdrawal, etc., and encourages the prioritisation of environmentally friendly equipment procurement and motivates suppliers to fulfil their environmental responsibilities.

Production Safety Management

Safety management is an important part of maintaining a sound development of the Group. The Group strictly complies with relevant laws and regulations relating to health and safety matters and remedies in the services provided including the *Law of the People's Republic of China on Production Safety* (《中華人民共和國安全生產法》), *Law of the People's Republic of China on Response to Emergencies* (《中華人民共和國突發事件應對法》). In 2020, the Group did not receive any incidents that violated the above laws and regulations that had a significant impact on the Group's operations. The Group and its subsidiaries have formulated the *Administration Regulations on Safety Production* (《安全生產管理規定》) and adopted a dynamic cycle of "planning, implementation, inspection and improvement", adhering to the concept of "safety first, prevention foremost and comprehensive management" to continuously improve production safety and refine the safety production system, and requiring each subsidiary to establish management system covering all safety production risks in line with the actual situation.

In accordance with the *Safety Production Performance Management Regulations* (《安全生產績效管理辦法》), the safety performance assessment results of the person-in-charge of the subsidiaries are correlated with incentives such as performance pay, and the Group signs the *Safety Production Management Targets Responsibility Letter* (《安全生產管理目標責任書》) with its subsidiaries every year, specifying the annual safety production management targets, safety production highlight tasks and safety production education training plans of the subsidiaries, and conducts regular assessment on the safety production performance of the subsidiaries, striving to eradicate work-related accidents, mechanical accidents, facility damage accidents, cargo damage accidents, traffic accidents and fire and explosion accidents.

Shantou Port set and successfully achieved the production safety management targets including **0** accidents with serious injury and above and **100%** safety training coverage by 2020.	TCP set a series of health and safety targets for 2020, including a **10%** reduction in accident rates compared to 2019.	CMBL signed the Occupational Health and Safety Responsibility Letter with all employees in 2020.

In addition, the Group has established and continuously improved the emergency management mechanism by formulating emergency management policies including comprehensive emergency plans, specific emergency plans and on-site handling plans, including *Specific Emergency Plan for Production Safety Incidents* (《生產安全事故專項應急預案》), *Specific Emergency Plan for Typhoon Prevention* (《防颱專項應急預案》). On top of this, each subsidiary is responsible for the prevention and handling of emergency incidents within its management area so as to effectively respond to various potential safety incidents. The Group also requires its subsidiaries to establish the potential hazards investigation mechanism, conduct analysis and assessment of the identified hazards and formulate management plans based on the evaluation results in order to prevent the occurrence of incidents.

Case Study

Measures to Cope with Adverse Weather Conditions at Terminals

In times of typhoons, temporary buildings and warehouses, construction works in progress, terminal equipment and cargoes may be blown down due to insufficient wind resistance, terminal operations may also be easily affected. On the basis of ensuring the safety of the operators, all subsidiaries have formulated typhoon and flood prevention plans and taken corresponding measures, including the installation of typhoon protection devices and typhoon warning devices for quayside container cranes, regular inspection and maintenance of equipment, and inspection of equipment rain-proof cloths to ensure the safety of cargoes.

PEOPLE-ORIENTED, SAFEGUARDING EMPLOYEES' RIGHTS AND INTERESTS

Employment Policies and Benefits

The Group has always regarded its employees as valuable assets for corporate development and has been adhering to the management philosophy of "people-oriented, talent-first". The Group is committed to building the core competitiveness through outstanding human resources and creating a fair, healthy and safe working environment with development potential for employees. The Group strictly complies with the laws and regulations that have a significant impact on the Group in respect of remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other treatment and benefits, such as the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) and the *Employment Ordinance* (《僱傭條例》) of Hong Kong. Meanwhile, the Group has established rules and policies such as the *Human Resources Management System* (《人力資源管理制度》) to safeguard the legitimate rights and interests of its employees. In 2020, the Group did not receive any incidents of non-compliance in relation to the aspects.

Employment

Recruitment and Promotion

The Group always adheres the principles of equal employment that ensures fairness, impartiality and openness of recruitment, recruits outstanding talents globally and promotes localisation overseas. To ensure the talents selection process and standards are standardised and transparent, the Group observes the *Administration Regulations on China Merchants Port Employment* (《招商局港口員工管理規定》), and recruits talents through multiple channels such as online recruitment, media recruitment, campus recruitment and external recommendations. In the recruitment process of Mainland China, the Group only assesses the comprehensive quality, working ability and experiences of the candidates, strictly forbids any discrimination due to factors including gender, age, nationality, ethnicity, health status, religion and marital status etc., and strives to create an equal and diverse working environment. The Group also insists on the rules of relative avoidance and does not employ employees' relatives in principles to ensure an impartial and fair recruitment.

Moreover, the Group has formulated the *Measures on Employees Performance Appraisal* (《員工績效考核辦法》) to conduct regular performance appraisal of the employees and to determine the promotion of the employees based on the performance, ability and attitude, thus ensuring an equal promotion mechanism and extensive room for development.

Dismissal

Regarding employee dismissal, the Group strictly conforms to relevant laws and regulations. Apart from the relevant stipulated circumstances (such as termination of employment contract or labour contract in accordance with the *Administration Regulations on China Merchant Ports Employment* (《招商局港口員工管理規定》) if an employee seriously violate the regulations), the Group strictly prohibits any unfair or unjust dismissals, thus protecting employees' rights from violation.

Labour Standards

The Group requires candidates to provide proof of identity and relevant identification documents for aboding and working in Hong Kong (such as working visa) during the recruitment process, and strictly prohibits the employment of child labour. The Human Resources Department can verify employee's basic information such as age via the human resources system to ensure there is no employment of child labour. As stated in the *Administration Regulations on China Merchant Ports Employment Employees* (《招商局港口員工管理規定》), the Group signs employment contracts with the new employees once being employed, clarifying the employment relationship and eliminating forced labour. In 2020, the Group insisted on employing legal employment and management in accordance with the law and there is no case of child labour and forced labour.

Working Hours and Holiday

The Group has a humane leave system with the *Administration Measures on Employee Attendance and Holiday* (《員工考勤及假期管理辦法》) formulated, clearly stipulating the working and resting hours of employees. The Group has implemented the 5-day work system and 40-hour standardised weekly working hour in office, the Group encourages employees to complete their tasks efficiently within the prescribed working hours and requires employees to seek approval from department managers and Human Resources Department for overtime work under special circumstances, employees who work overtime are compensated with overtime pay or holiday and the Group does not force employees to work overtime. Other than statutory holiday, employees are entitled for annual leave, sick leave, personal leave, maternity leave, marriage leave, funeral leave etc.

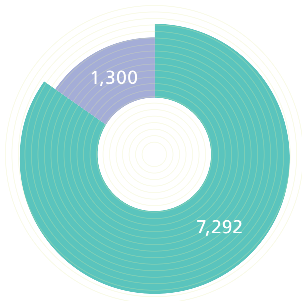
Remuneration and Benefits

In order to achieve the long-term corporate development goals and objectives of the Group, to encourage and retain excellent employees, the Group has continued to improve its remuneration and benefits system adhering the principles of "prioritising efficiency while giving consideration to fairness", "stratified management with diversified rewards" and "satisfying industry standard and surpassing market performance".

Through the formulation and implementation of the *Administration Measures on Employee Remuneration and Benefit* (《員工薪酬及福利管理辦法》), the Group has determined the remuneration of employees based on their positions and rankings, and implemented a comprehensive remuneration incentive mechanism that is market-oriented, matches the economic efficiency of the enterprise and is linked to the labour productivity. The Group has provided opportunities to adjust the remuneration of some of the employees based on the results of the annual performance appraisals, and reviewed the remuneration system and employee's remuneration levels with reference to the market's remuneration level in order to provide employees with a competitive renumeration package. The Group strives to provide comprehensive welfare protection for employees, including benefits such as paid annual leave, regular health check-ups, corporate annuity plan etc. on the basis of strict implementation on the social insurance mechanism in the regions where it operates, in order to increase the sense of belonging and wellbeing of employees.

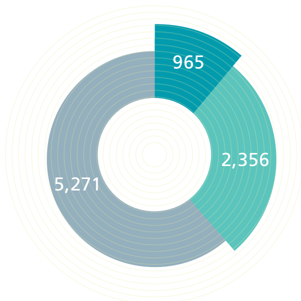
In 2020, the total number of employees of the Group is 8,592, which 100% is full-time employees. Below are the specific data:

Total number of employees by gender



- Male
- Female

Total number of employees by employee category



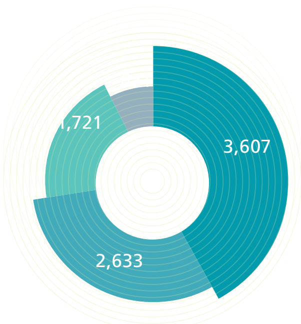
- Operation and management talents
- Talents with professional skills
- Skilled talents

Percentage of female middle-level and senior management employee at the Group's head office **28%**

Employment contract signing rate **100%**

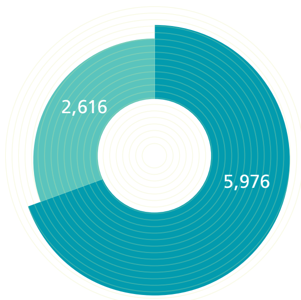
Coverage of social insurance **100%**

Total number of employees by age



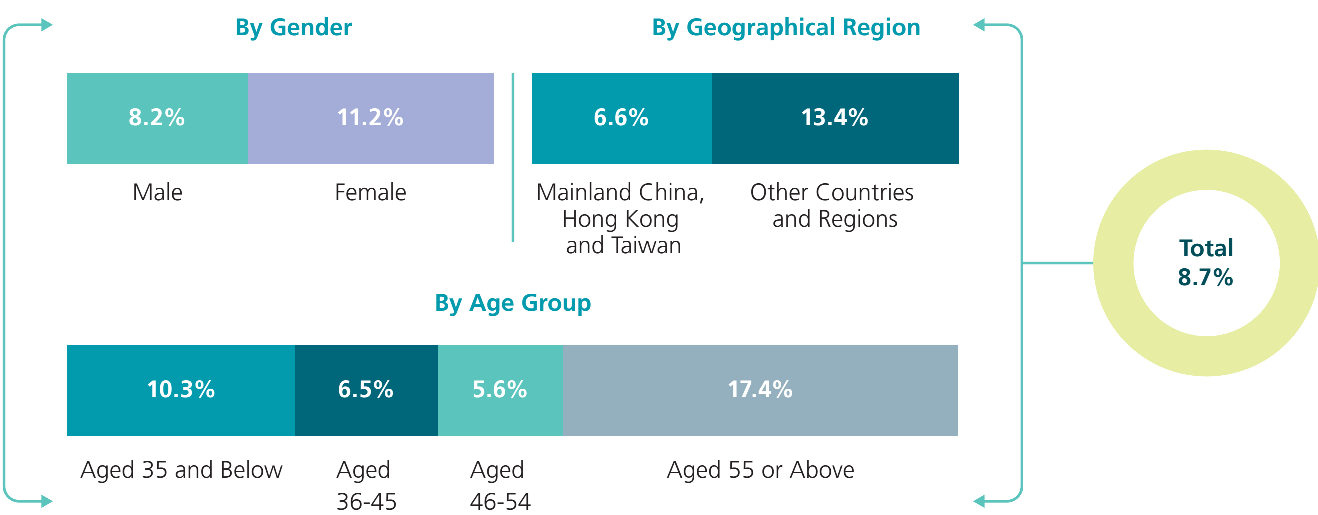
- Aged 35 and below
- Aged 36-45
- Aged 46-54
- Aged 55 and above

Total number of employees by geographical region



- Mainland China, Hong Kong and Taiwan
- Other countries and regions

Employee Turnover Rate (2020)



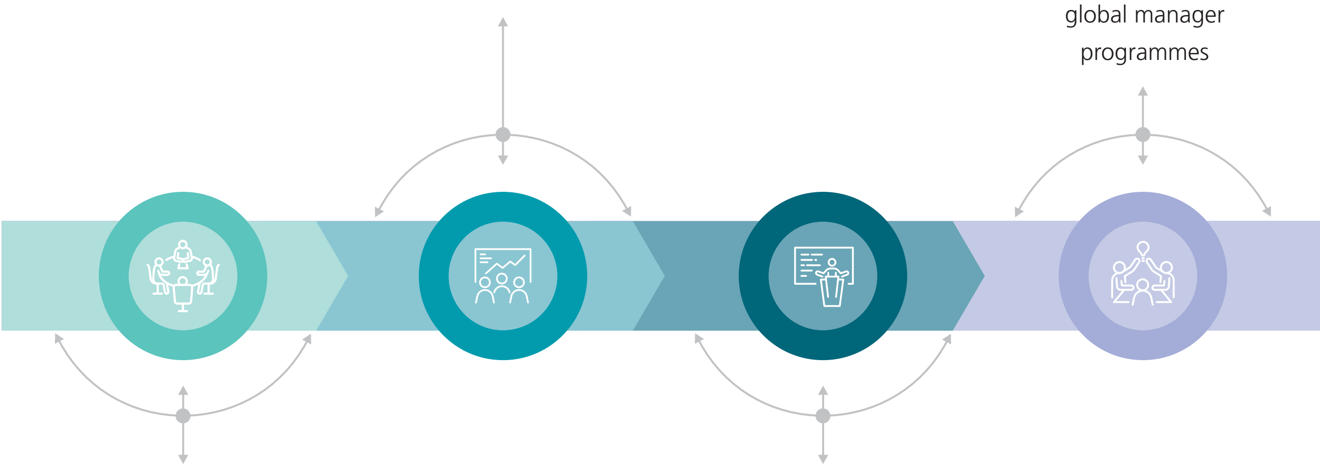
Employee Training and Development

With the mission of "building a world-class port talent team", the Group strives to create value for its employees while realising the mutual growth and development of the employees and the enterprise, and continues to follow the "1234" human resources strategy, covering 1 platform (manpower management platform), 2 developments (institutional development and capacity development), 3 major projects (marine project, academy project and incentive project) and 4 teams (leading talent team, senior management talent team, professional talent team and overseas talent team).

The Group has formulated and implemented policies such as the *Administration Regulations on Employee Training* (《員工培訓管理規定》) and *Administration Regulations on New Employee Training* (《新員工培訓管理辦法》) to systematically promote the construction of a talent team so that human resources are better allocated to meet the development needs of the Group. The Group has formulated the *Administration Measures for Internal Training Instructors* (《內部培訓講師管理辦法》) and *Administration Measures for Internal Courses* (《內部課程管理辦法》) which clearly specify the application, selection, requirements and assessment of internal trainers, so as to effectively enhance the management standard of the team of internal trainers, thereby improving the quality of training and the learning effectiveness of the employees. The Group continued to conduct diversified and multi-level trainings according to the career development needs of employees at different levels and business categories, including:

Senior management employees
strategic directives, global vision and thematic training

Specialised improvement
management trainee programmes, youth talent training prohgrammes, global manager programmes

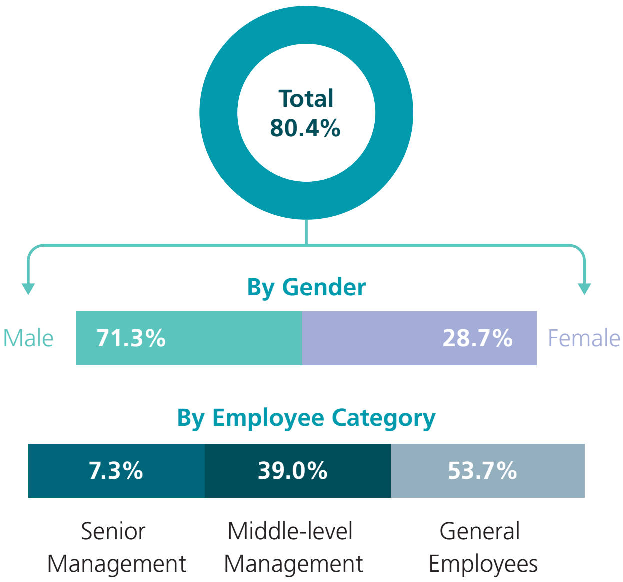


Middle-level core employees
global manager programmes, youth talent training programmes

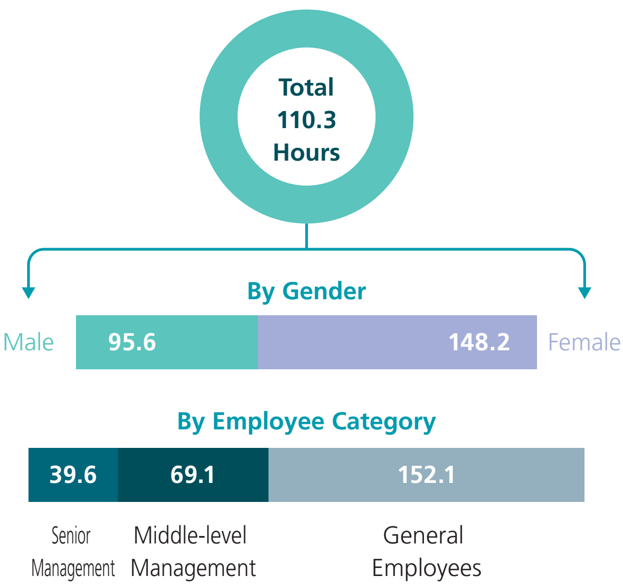
Employees at head office
comprehensive ability improvement training for all employees, training camps for internal trainers, induction training for new employees, overseas safety training center employees

In addition, the Group took the opportunity of developing an intelligent personnel management platform ("**HR-Max**") to further improve and strengthen its training management system. The platform provides flexible learning channels for employees and broadens their development opportunities. In the first half of 2020, the Group focused on online learnings, offering courses on pandemic prevention and control, professional knowledge, current affairs and news, humanities and geography through the learning platform, and conducting trainings and learnings through online live streaming. In the second half of the year, the Group launched various types of training, including in-house trainings, public courses offered by external professional consulting organisations, management trainee trainings and induction trainings for new employees, to help employees to develop and enhance their personal values. Specific training figures are as follows[5]:

Percentage of Employee Received Trainings (2020)



Average Training Hours (2020)



[5] Employee training data includes employees at the Group's head office.

The Group smoothly organised open class training on Financial Presentation and Training Skills

Case Study

International School — Martime Silk Vocational College was Listed and Operated

The Group continues to explore more opportunities for talent development. In 2020, the International College——Martime Silk Vocational College was officially launched and operated, as well as successfully held the Martime Silk Elite Program (Phase II) and organised outstanding young talents to participate in a two-month training, which included business English, the "Belt and Road" policy documents, cross-cultural communication skills, etc.

Occupational Health and Safety

The Group attaches great importance to the health and safety of employees and is committed to creating a safe and healthy working environment for the employees. The Group strictly complies with the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the *Prevention and Control of Occupational Diseases Law of the People's Republic of China* (《中華人民共和國職業病防治法》), *Technical Specifications for Occupational Health Supervision Surveillance* (《職業健康監護技術規範》) and *Occupational Safety and Health Ordinance* (《職業安全及健康條例》) of Hong Kong and relevant laws and regulations relating to occupational health and safety. The Group has formulated and implemented the *Occupational Health Management System* (《職業健康管理制度》) to regulate the occupational health management of workers and to strengthen the prevention and control of occupational hazards in workplaces.

Based on establishing a comprehensive production safety system, the Group has continued to conduct safety education and trainings for all employees to raise their awareness on safety and cultivate safety skills. Workers are required to undergo pre-placement qualification checks and pre-placement safety education and trainings to ensure that they are equipped with the knowledge and ability of safety production. The Group also conducted fire safety trainings to enhance employees' awareness on fire safety.

In 2020, the Group conducted a series of safety trainings with a total of 225,026 participants, and the subsidiaries also conducted 1,613 emergency drills with a total of 21,351 participants.

The Company organised a fire drill on 23 June 2020

The Group cares for its grassroots and frontline employees at home and abroad and attaches great importance to the physical and mental health of the employees. In the face of the COVID-19 pandemic, the Group has provided medical masks, sanitisers, and other pandemic prevention materials to employees at its head office and subsidiaries in a timely manner. The Group has provided employees with remote medical treatment and knowledge on pandemic prevention through video coaching, webcasting and the HR-Max integrated human resources management platform. Besides, the Group helped employees to relieve their psychological stress during the pandemic through seminars and psychological counselling services, showing its care for them through practical actions.

Employees at West Shenzhen Port Zone measured their body temperature before work

Regular and thorough disinfection of terminal vehicles in the terminal area

CICT distributed masks and disinfectant to employees

The Group distributed vaccination information through its online platform

0 fatalities in work-related accidents for the fourth year in a row

0% work-related fatalities

6 people of injuries at work

30 days of lost working days due to work-related injuries

100% coverage of employee welfare check-ups

Employee Care and Communication

The Group advocates work-life balance for the employees. The Group organised a wide variety of employee activities and its subsidiaries organised a series of "Corporate Day" activities to enhance team cohesion and further promote corporate culture. To enrich employees' spare time and to promote a healthy lifestyle, the Group organised a variety of sports and cultural activities as well as group activities such as badminton competitions, basketball competitions, swimming activities and book reading sessions to help relieve employees' work pressure, promote friendship among employees and create a positive atmosphere.

The union badminton team won the championship in badminton team competition

The union basketball team participated in the 5th "Yuehai Genzon Cup" basketball tournament

China Merchants Port Service (Shenzhen) Co., Ltd. celebrated the "Corporate Day" with cultural and sports activities

The Group adheres to its "people-oriented" management philosophy and continues to improve the construction of employee representative councils, labour unions and other mass organisations, enhancing communication between employees and management through various channels, including emails, employee suggestion mailboxes, face-to-face meetings and labour unions, etc. The Group strives to protect employees' rights to know, participate and supervise, guides and encourages employees to fully participate in the Group's operation and management. To enhance employees' sense of belonging and to maintain a stable, harmonious and healthy labour relationship, and in line with the fundamental objective of safeguarding the legitimate rights and interests of both the enterprise and the employees, representatives of the labour union signed collective labour contracts with the Group to protect the legitimate rights and interests of employees in various aspects, including labour contracts, labour remuneration, leave, insurance and welfare, safety and training.

Labour union membership rate of Mainland China employee

100%

COMMUNITY CONTRIBUTION, MOVING TOGETHER FOR THE FUTURE

Committed to Public Welfare and Volunteering

The Group is committed to fulfilling its social corporate responsibilities and endeavours to understand and meet the needs of the community in the course of steady corporate development and growth, working together with investors, employees, customers, the community and other partners to bring a positive impact on society. In accordance with the relevant requirements of the China Merchants Foundation, the Group implemented the *Administrative Regulations on External Donations* (《對外捐贈管理規定》) and other relevant policies to strengthen the management of external donations and to ensure the smooth operation of external donation activities.

In 2020, The Group continued to build up the "C-Blue" public welfare brand, and actively integrated with the local culture of the regions where it locates to foster cultural interactions and blending through a series of branded public welfare projects in the PRC and overseas. Taking the volunteering service as an opportunity, the Group has set up a team of "C-Blue" volunteers composed of employees to provide strong support for the continuous development of corporate charitable activities and to continue to focus on areas such as talent training, education and healthcare, livelihood assistance and children's care, with a view to realising the public welfare objective of "not only providing them with resources, but also enabling them to be self-sufficient".

Case Study

"C-Blue" Training Programme

The Group continued to organise the "Shaping Blue Dreams Together — 21st Century C Blue Training Programme". Sponsored by China Merchants Foundation, hosted by CMPort and co-organised by professional institutions, the programme is an advanced comprehensive port and shipping training project targeting young talents in countries along the "Belt and Road". For the past five years, the Group has successfully organised eight phases of"C-Blue" Training Programme, nurturing a total of 188 talents from 21 countries.

In 2020, the Group successfully organised the 2020 Programme Frontier (Djibouti-specific class) of "C-Blue" Talent Programme to provide 13 sessions of high-end port and maritime online training courses to 25 local postgraduate students in Djibouti, covering the history of port and maritime industry development, e-commerce development trends and smart port solutions, etc. Through the diversified and open training programmes, the Group aims to provide more overseas trainees with a platform for learning and exchange, and at the same time to build up a talent pool for the Group and the global port and maritime industry.

Case Study

"C-Blue" Children's Enrichment Camp

The Group concerns about the physical and mental health as well as educational growth of children left behind in rural areas, and has been carrying out caring activities for left-behind children over the past six years. In 2020, the Group launched a new and upgraded "C-Blue" Children's Enrichment Camp under the theme of "Volunteering Blue, Accompanying Children" (志願藍　伴童行), which combined the topics of care for left-behind children and poverty alleviation in rural areas, through designing a total of 12 courses including painting class, Beijing Opera class and critical thinking class, renovating classrooms and planning activities to form a three-day enrichment camp. The programme not only provided support with teaching facilities to 135 children in Qiling Township, Wuhua County, Meizhou City, Guangdong Province, but also provided them with living and educational care, cultivating their self-awareness to develop their dreams and strive for self-improvement.

Case Study

"China Merchants Silk Road Hope Village" Project

In order to further integrate into the local community where it operates, and to assist the underprivileged, the Group continued to propel on the "China Merchants Silk Road Hope Village" project. On 23 June 2020, the ground-breaking ceremony was held to officially launch the first project in Sri Lanka. The project was initiated by CICT to assist in the construction of a community centre in the Pannila village in southern Sri Lanka in order to improve the living conditions of the villagers and to give back to the local community. The community centre will benefit more than 4,000 villagers in Pannila village and neighbouring villages, facilitating their daily gatherings, activities, and learning.

Carrying out Voluntary Services

As a responsible corporate, the Group takes the initiative to understand the needs of the community and disadvantaged groups in the region where it operates, and organises its employees' volunteers to carry out community charitable activities. With the guidance and support of the China Merchants Foundation, the volunteer team has carried out a number of voluntary service projects in recent years, which have brought positive impacts on the education and livelihood of the local community and poor mountain areas.

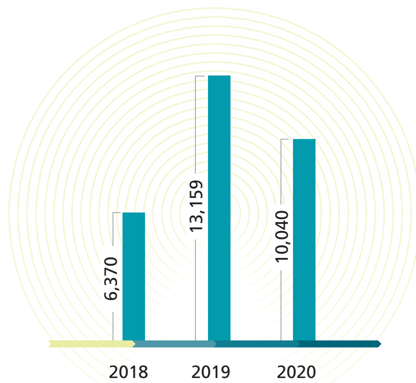
Charitable donation of HK$ **30** million

Number of employees involved in voluntary activities **503** people

"CMICT Volunteers' Union" from Ningbo Daxie China Merchants International Terminals Co., Ltd. organised the elderly care service campaign

Voluntary Service Hours

Unit: hours



Pandemic and Disaster Relief Efforts

In view of the suddenness of the COVID-19 pandemic and its extent of impact on society, the Group actively supports the pandemic prevention and control work of the communities in the regions where it operates, and donated facial masks, protective clothing and other anti-pandemic supplies to Sri Lanka, Djibouti, Bangladesh and other countries, with a cumulative amount of RMB 2.6 million.

In April 2020, representatives of Hambantota International Port Group (Private) Limited ("**HIPG**") donated anti-pandemic and living supplies to community residents

CICT provided financial donation to the government of Sri Lanka to purchase nucleic acid testing equipment and reagents

EMBRACING THE BLUE SEA AND BUILDING PORTS WITH LOW CARBON

Environmental Management Strategies

The Group attaches great importance to environmental protection, strictly complies with relevant laws and regulations related to energy conservation and ecosystem protection in the countries and regions where it operates, and strives to reduce the environmental impacts in the course of its operations. Throughout the years, the Group has taken "energy conservation and efficiency enhancement" as its development objective and "technological innovation" as its driving force, to unremittingly contribute its effort in pushing forward ecological civilisation and devote to promoting the construction of green port.

Management System and Goals

The Group has formulated the *Administration Regulations on Energy Conservation Environmental Protection* (《節能環保管理規定》) to clarify the work content and mechanism of comprehensive supervision and management of energy conservation and environmental protection, establishing and improving the energy conservation, emission reduction and environmental management system to integrate green ecological development philosophy and practice throughout the project lifecycle, and strengthens green production operational management through innovative green development model, at the same time, encourages subsidiaries to formulate specific programmes and regulatory policies for energy conservation and environmental protection. Moreover, the Group has implemented energy conservation management through innovative operating models, monitoring high energy consumption areas, regularly conducting energy conservation promotion and integrating them into daily work.

Energy Conservation, Emission Reduction and Environmental Management System			
Goals	*To become an environmentally friendly port company*		
Strategies	Planning for energy conservation and emission reduction	Establishing technical indicators for energy conservation and emission reduction	Implementing the statistic monitoring system for energy conservation and emission reduction
Organisational System	*Management Level*	*Organisational Level*	*Implementation Level*
	Head office of the Group is responsible for formulating environmental protection principles, planning system, evaluation methods and standards.	Environmental groups or organisational institutions for energy conservation and environmental protection were established by the Group to make plans for energy conservation and emission reduction, whereas such plans are included in daily operational management and control mechanism.	All subsidiaries deploys management personnel with energy conservation and emission reduction capabilities to execute the relevant work, draw up statistics, analysis and carry out monitoring and inspection.
Security System	• Environmental performance is linked to annual appraisal • A comprehensive monitoring and information reporting system for energy conservation and emission reduction was built		

In order to establish an effective energy conservation and environmental protection mechanism, the Group has implemented *Administration Measures on Energy Conservation and Environmental Protection Performance Assessment* (《節能環保績效考核管理辦法》) in 2020 to stipulate the main responsibilities of subsidiaries in energy conservation and environmental protection work. It also includes energy conservation and environmental protection indicators in the annual assessment for the purpose of eliminating major environmental pollution incidents and jointly contributing to the Group's environmental management work, and will continue to refine the management indicators and conduct quantitative assessments in the future.

In 2020, the Group has set sustainable development targets for more effective implementation of sustainable development work across the Group, working towards the environmental protection approach of "Energy Conservation and Emission Reduction, Low Carbon and Environmental Protection".

Aspects	Sustainable Development Targets	Action Plans
Emission	Reduce air pollutants and greenhouse gas emissions	• Continue to expand the application of new energy conservation technologies and products including "substation of fuel-powered equipment with electricity-powered equipment", "shore-powered supply for vessels", "RTG Remote Control" and "solar energy storage" • Increase the usage ratio of electrical machinery • Increase the investment in dust removal facilities and purchase qualified dust removal equipment • Regularly inspect the outfall of dust removal equipment to ensure efficient operation • Increase the investment of sprinklers, and minimise the usage and management of sprinkler facilities to suppress dust emission • Conduct regular on-site inspections of port operations, inspect the operating flow of operational vehicles and mobile machinery • Encourage energy substitution and diversification, reduce the use of fossil fuels and increase the use of low sulphur fuel
	Further improve the pollution prevention and control system	• Develop pollutant emission reduction plans, and keep track of progress of the plan • Each subsidiary regularly conducts environmental risk identification and assessment through the evaluation organisations and executes graded management of the identified risks, to ensure that the risks are well-managed
Waste Reduction	Reduce the production of solid waste	• Ensure each type of solid waste is legally divided, transported, stored, disposed and transferred • Develop a solid waste management file to increase the recycling rate of used and waste equipment • Reduce the production of hazardous waste, entrust qualified and professional waste management companies to legally and properly handle and transfer the waste
Energy Use Efficiency	Reduce energy consumption	• Advocate green office and encourage employees to save office electricity use and reduce paper use • Use clean energy, run trials and further promote the use of liquified natural gas (LNG) tow truck or electric tractors
Water Efficiency	Reduce water usage	• Follow the regulations in using each type of sprinkler and dust suppression equipment (e.g. production machinery sprinklers, sprinkler trucks, washing facilities) • Utilise alternative water sources • Repair and build water storage facilities to recycle fresh water and reduce freshwater consumption • Increase investment in wastewater treatment and install additional wastewater management facilities, strengthen monitoring of the process to ensure efficient operation of the facilities, thus wastewater can be treated and meets the standards for recycling and reuse

Tackling Climate Change

Climate change is closely related to the Group's production and operations. The Group continues to strengthen its environmental risk assessment and management. In 2020, the Group identified the impacts of major climate risks on port loading and unloading stage, transportation stage, marketing or ordering stage, formulated and implemented specific countermeasures, to continuously drive the Group towards green, low carbon development.

Type/Scope of Risks	Risk Description	Potential Impacts Analysis
Physical Risks		
Acute Physical Risks	Increase in severity of typhoons	• Causing significant damage to port facilities, and resulting in loss of assets • In times of heavy typhoon, the port will not be able to accept loading or unloading • Temporary cancellation of calls by vessels will cause a reduction in business demand, and delayed calls by vessels will lead to berth congestion and busy operations for a period of time after the typhoon
	Increase in severity of flooding	• Resulting in the waterlogging of cargos
	Increase in severity of other extreme weather incidents	• Sudden and strong wind can cause damage to large equipment at ports • The ports cannot operate normally: foggy weather may affect the safety of vessels calling at the port or vehicles transporting in the ports; Extreme weather or thunderstorms may cause damage to machinery, equipment and personnel onsite
Chronic Physical Risks	Changes in amount of rainfall and extreme fluctuation of weather patterns	• If operational personnel feel unwell, physical injury incidents would easily be caused • An increase in extreme weather such as fog, thunderstorms, and typhoons will reduce the overall operating hours of the ports • Crops yields may be affected, which can affect the regional export volumes
	Increase in average temperature	• High temperature conditions can cause discomfort to frontline workers, which will affect the working efficiency and easily lead to physical injury incidents
	Rise in sea level	• Submersion of goods in yard during the overlapping of the rising sea levels, high tides and typhoons
Transition Risks		
Political Risks and Legal Risks	Increase the greenhouse gas emission pricing	• Increase in operating costs and reduce in profitability
	Requirements and monitoring for current products and services	• Increase in compliance costs due to restrictions on the sulphur emissions of global marine fuel oils and the implementation of environmental protection policies
	Litigation for violations of environmental regulations	• Possible civil, administrative and criminal liability resulting in damages to the corporate reputation

Type/Scope of Risks	Risk Description	Potential Impacts Analysis
Technical Risks	Higher costs of substituting the existing products and services with low-emission options	• Increase in operating costs of applying new energy saving technologies and products, such as using clean and low-carbon electricity to substitute fuels-driven one
	Failed investment in new technology and front-end cost of transition to low-emission technology	• Increase in research and development costs for developing methods such as multimodal transport, shore-powered supply for vessels to promote energy conservation and emission reduction, as well as new and clean energy application in port and maritime industry
Marketing Risks	Everchanging customer behaviour	• Customers are more inclined to partner with corporates which are concerned about environmental protection
	Increase in the costs of raw materials	• Change in fuel prices and increase in application costs of new energy technology
Reputational Risks	Stakeholders' increasing concern with negative feedbacks	• Increasing demand from customers for corporates that are concerned with environmental changes and environmental protection, encourage trade facilitation, expand the upstream and downstream service supply chain

Refining Emission Management

The Group strictly complies with the environmental laws, regulations and industrial standards in the regions of operation, including but not limited to *Environmental Protection Law of the People' s Republic of China* (《中華人民共和國環境保護法》), *Environmental Impact Assessment Law of the People's Republic of China* (《中華人民共和國環境影響評價法》), *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), *Atmospheric Pollution Prevention and Control Law of People's Republic of China* (《中華人民共和國大氣污染防治法》), *Environmental Conservation Law of the People' s Republic of China* (《中華人民共和國節約能源法》) etc. During the year, there were no violations of laws and regulations relating to air and greenhouse gas emissions, water or land pollution and hazardous or non-hazardous waste which had a significant impact to the Group.

The Group consistently manages and controls the energy conservation and environmental protection work of its subsidiaries, while also practices green development concepts throughout the process of project planning and design to service operation process, to prevent ecological pollution caused by emissions in the course of the corporate's operation as far as possible. The Group regularly conducts assessments and control of different emission sources to fulfil local emission standards. In 2020, HIPG officially commenced the fuel oil bunkering service for vessels, so as to supply low-sulphur fuel oil to cargo ships and ocean-going fishing vessels, reducing the environmental impacts from vessels' emissions while expanding the business.

Emissions	Management Measures
Air pollution	• Carry out energy conservation and technological transformation through "substation of fuel-powered equipment with electricity-powered equipment" and use clean energy such as LNG • Install sprayer, building dust removal tower, remote sprayer or dust-proof mesh cloth etc. to prevent dust produced from operations • Reduce the idling time of machinery and equipment to save fuel and reduce emissions
General solid waste	• Entrust qualified units to collect and handle wastes, recycle materials such as waste steel ropes, waste steel and cardboard, and transfer other wastes to local legal dumpsites for disposal
Hazardous waste	• Collect and store hazardous wastes in accordance with the operating location's requirements and entrust units with qualifications of handling relevant hazardous wastes for disposal • Improve the management system of hazardous wastes and strengthen the supervision and management of hazardous waste treatment process
Wastewater	• Build sewage collection and treatment facilities and discharge or recycle such sewage upon meeting relevant standards • Strengthen the daily cleaning of sewage pipes
Noise	• Undertake pollution control at the source of noise, including the equipment procurement and production process design, to ensure compliance with relevant legal and regulatory requirements • Minimise noise generation (e.g. reduce speed, control sirens, etc.) during operation • Strengthen the repair and maintenance of various types of vehicles and machinery equipment

The Group proactively researches and uses new energy conservation technology and products, and replaces fuels with clean, low carbon electricity to effectively improve energy efficiency rate and fuel consumption, which can reduce air and greenhouse gas emissions, ultimately achieving a low carbon transformation.

Capital investment for energy conservation and environmental protection RMB **145million**

Shore-powered Supply for Vessels

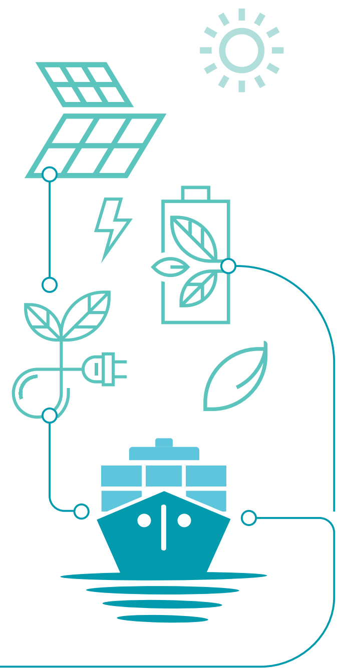
Shore-powered supply for vessels means that terrestrial power supply is used for power rather than using generating units in vessels during the docking period, which can reduce the use of fuel oil. In 2020, the Shantou Port Guang'ao Phase I shore-powered supply project was completed, which has satisfied the electricity needs of different types of electrical equipment on vessels while reducing the air emissions when the vessels are at berth. In addition, the shore-powered supply project in the West Shenzhen Port Zone and the Haixing shore-power system construction are both progressing on schedule. It is estimated that a single berth will reduce the emissions of 365 tonnes of carbon dioxide, 4.6 tonnes of sulphur dioxide and 4.57 tonnes of nitrogen oxides per year.

"Substation of Fuel-powered Equipment with Electricity-powered Equipment" Technologies

Referencing to the successful cases of "Substation of fuel-powered equipment with electricity-powered equipment" technological transformation on equipment such as gantry crane and reach stacker by Zhangzhou China Merchants Port Co., Ltd., Guangdong Yide Port Limited and CICT etc., other subsidiary terminals are gradually replacing traditional diesel-powered machinery with more efficient electricity-driven machinery. Shantou Port commenced the transformation project of bridge crane during the year, replacing fuel oil with clean, low-carbon electricity to achieve zero-air emission equipment and increase energy efficiency rate.

Clean Energy

In line with the requirements of the regulatory authorities, subsidiaries have stepped up the phasing out of energy-intensive and emission-intensive facilities and prioritised the use of environmental protection equipment, which includes adopting solar energy, purchasing reach stacker with higher emission standards, using electric forklift truck instead of traditional fuel oil forklift trick. By the end of 2020, the West Shenzhen Port Zone has replaced 66 electric forklift trucks.



Air Emissions[6, 7, 8]	Unit	2020	2019
Nitrogen oxides (NO_x) emissions	Tonnes	**215.13**	34.26
Sulphur oxides (SO_x) emissions[9]	Tonnes	**0.21**	5.19
Carbon monoxide (CO) emissions	Tonnes	**162.18**	—

GHG Emissions	Unit	2020	2019
Scope 1 emissions[10, 11]	Tonnes CO_2e	**53,880.49**	34,303.00
Scope 2 emissions[12]	Tonnes CO_2e	**118,786.16**	83,765.90
Total GHG emissions	Tonnes CO_2e	**172,666.65**	118,068.90
GHG emissions intensity[13]	Tonnes CO_2e/TEU	**1.09×10^{-2}**	1.13×10^{-2}

Wastewater Discharge	Unit	2020	2019
Wastewater discharged	Tonnes	**438,868.00**	—
Wastewater treated to standard for reuse	Tonnes	**23,215.00**	580,000.00

Hazardous Waste[14]	Unit	2020	2019
Waste batteries generated	Tonnes	**10.27**	17.97
Waste batteries generation intensity	Tonnes/TEU	**6.48×10^{-7}**	1.72×10^{-6}
Waste sludge and oil residue production generated	Tonnes	**50.04**	307.87
Waste sludge and oil residue generation intensity	Tonnes/TEU	**3.15×10^{-6}**	2.94×10^{-5}
Waste mineral oil generated	Tonnes	**203.59**	154.28
Waste mineral oil generation intensity	Tonnes/TEU	**1.28×10^{-5}**	1.47×10^{-5}
Oily wastewater generated	Tonnes	**4,988.85**	452.00
Oily wastewater generation intensity	Tonnes/TEU	**3.14×10^{-4}**	4.32×10^{-5}

Non-hazardous Waste[15]	Unit	2020	2019
Scrap metal generated	Tonnes	**990.25**	3,099.14
Scrap metal generation intensity	Tonnes/TEU	**6.24×10^{-5}**	2.96×10^{-4}
Production waste generated	Tonnes	**17,082.47**	2,962.91
Production waste generation intensity	Tonnes/TEU	**1.08×10^{-3}**	2.83×10^{-4}
Waste tire generated	Tonnes	**308.44**	—
Waste tire generation intensity	Tonnes/TEU	**1.94×10^{-5}**	—
Scrap steel rope generated	Tonnes	**1,219.03**	—
Scrap steel rope generation intensity	Tonnes/TEU	**7.68×10^{-5}**	—
Waste office consumables generated	Tonnes	**104.43**	142.77
Waste office consumables generation intensity	Tonnes/TEU	**6.58×10^{-6}**	1.36×10^{-5}

6 To better reflect the Group's ESG performance, the Group has expanded the reporting boundary of environmental performance data, and has included the subsidiaries overseas into the scope of disclosure, therefore the value of 2020 key performance indicators may differ significantly from those of previous years .

7 The air pollutants are generated from the use of vehicles and machinery. The calculation and related emission factor are referenced from the *First National Pollution Source Census Industrial Pollutant Emission Coefficient*, *Technical Guide for the Development of Air Pollutant Emission Inventories for Road Motor Vehicles (Trial)* and *Technical Guidance on the Development of Air Pollutant Emission Inventories for Non-road Mobile Sources (Trial)* published by the Ministry of Ecology and Environment of the People's Republic of China and 2019 EMEP/EEA Air Pollutant Emission Inventory Guidebook published by European Environmental Agency.

8 Air pollutant emission statistics do not include vehicle emission data of HIPG and the machinery emission data of LCT and TCP, relevant data will be further improved and disclosed in the future. In addition, natural gas-fired heavy cargo vehicles at Shekou Container Terminals are also excluded due to limitations in the calculation methodology.

9 The statistics recorded by the Group in 2019 are sulphur dioxide emissions.

10 The greenhouse gases are generated from the direct greenhouse gas emissions from the fuels consumption of the vehicles and machinery, and the calculation methods and relevant emission factors are referenced from the *Guidelines for Calculation Method and Reporting Guidance on GHG Emissions for Other Industrial Enterprises (Trial)* and the *Guidelines for Calculation Method and Reporting Guidance on GHG Emissions for On-road Transportation Enterprises (Trial)* issued by the National Development and Reform Commission of the PRC, and the *Appendix 2: Reporting guidance on Environmental KPIs* published by the Hong Kong Stock Exchange.

11 Scope 1 GHG emission statistics do not include machinery emission data of LCT, relevant data will be further improved and disclosed in the future.

12 The greenhouse gases are generated from the indirect greenhouse gas emissions from purchased electricity, and the calculation methods and relevant emission factors are referenced from the *Notice Regarding Carbon Emissions Reporting and Verification and Emissions Monitoring Program for the years 2018* published by the Ministry of Ecology and Environment of the People's Republic of China, the *Sustainability Report 2019* published by CLP Holdings Limited and the *Emission Factors from Cross-Sector Tools* published by GHG Protocol.

13 The Group has updated the intensity data for 2019, which is based on the Group's total container throughput of 10.46 million TEUs handled by the Group in Mainland China and Hong Kong during 2019.

14 Please refer to footnote 13 for the calculation of hazardous waste intensity.

15 Please refer to footnote 13 for the calculation of non-hazardous waste intensity.

Enhancing Resource Efficiency

In order to improve energy efficiency, the Group has continued to promote green office and fully integrated green concepts into its daily operations. In addition to enforcing the setting of air-conditioning temperature at 26° C in summers, the Group has also prepared posters and signage on "water conservation" to encourage employees to conserve electricity, water and paper in the office. The Group has also reduced office consumables and improved resource utilisation through the continued development of automated systems and paperless customs clearance to achieve efficient production and operation. A number of the subsidiary terminals of the Group have retrofitted their yards and office buildings with energy-saving LED lightings to reduce energy consumption.

In order to improve water efficiency, the subsidiary terminals have continued to improve the wastewater collection and treatment facilities, increasing their collection capacity and treatment capabilities so that wastewater can be recycled more effectively; continued to increase the use of water-efficient equipment to reduce the amount of water used for equipment flushing; and monitored the use of large amount of water during operations. In 2020, Brazil was facing a serious water shortage crisis. In order to manage strained water resources more effectively, TCP has taken the initiative to set water consumption targets for 2021 and has installed a rainwater harvesting system which utilise the collected rainwater for purposes such as cleaning equipment, hence reducing the freshwater consumption. The Group has no difficulties in sourcing water that is fit for the purpose in other operating locations.

Use of Resources[16, 17]	Unit	2020	2019
Total water consumption	m^3	**2,001,654.00**	1,644,310.00
Total water consumption intensity	m^3/TEU	**0.13**	0.16
Total Amount of purchased electricity	MWh	**263,788.81**	137,298.63
Purchased electricity consumption intensity[18]	MWh/TEU	**1.66×10^{-2}**	1.31×10^{-2}
Total petrol consumption	MWh	**1,612.70**	2,350.36
Petrol consumption intensity	MWh/TEU	**1.02×10^{-4}**	2.25×10^{-4}
Total amount of diesel consumption	MWh	**195,774.79**	238,435.19
Diesel consumption intensity	MWh/TEU	**1.23×10^{-2}**	2.28×10^{-2}
Total natural gas consumption	MWh	**3,453.04**	4,258.66
Natural gas consumption intensity	MWh/TEU	**2.18×10^{-4}**	4.07×10^{-4}

16 The density of energy consumption is referenced from the *CDP Technical Note: Conversion of fuel data to MWh* published by CDP.

17 The Group adjusted the units of gasoline, diesel and natural gas consumption density from GJ/TEU to MWh/TEU during the year.

18 Please refer to footnote 13 for the calculation of purchase electricity consumption intensity.

Striving for Environmental Protection

The Group has always attached great importance to the protection of ecological resources, recognises the impact of emissions from its business activities on neighbouring communities and marine ecology, encourages its subsidiaries to undertake energy system certification as well as provides guidance and support. The subsidiaries have also taken appropriate measures to minimise the environmental impacts of their operations. In particular, subsidiaries including Mega SCT, Zhangzhou China Merchants Port and TCP have obtained ISO14001 environmental management system certification.

The subsidiaries have formulated contingency plans for environmental emergencies as required by the *Administration Regulations on Energy Conservation and Environmental Protection* (《節能環保管理規定》), such as the *Emergency Plan for Vessel-Induced Pollution to the Marine Environment* (《船舶污染海洋事故應急預案》) and the *Emergency Plan for Oil Spill Incidents* (《溢油事故應急預案》), to properly control the risks and to take precautionary measures for oil spill incidents and to reduce the impact of the project construction and operation on the marine ecological environment. During the construction period of the project, the Group arranged the work schedule and construction time reasonably, and avoided the spawning period of major aquatic organisms during the dredging to protect the reproduction of natural organisms. At the same time, the Group strengthened supervision during the construction process by setting up anti-pollution barriers around the construction sites and prohibited direct discharge of construction wastewater and rubbish into the sea, thus preventing pollution to the surrounding ecology.

In addition, the Group actively brings the concept of environmental protection into its daily operations, drawing the attention of the community to issues such as marine protection and nature conservation, and encourages employees to participate in various environmental protection activities in order to reduce or eliminate the impact of its operations on the environment in the long run.


CERTIFICADO DE APROVAÇÃO

TCP - Terminal de Conteineres de Paranagua S.A.

TCP has obtained the ISO14001:2015 environmental management system certification

China Merchants International Container Terminal (Qingdao) Co., Ltd. participated in the "National Low Carbon Day" by printing slogans and hanging banners

APPENDIX: INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspect	KPI	Content	Disclosure	Chapter/Remark
		Environmental		
A1 Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	✓	Refining Emission Management
	A1.1	The types of emissions and respective emissions data.	✓	Refining Emission Management
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓	Refining Emission Management
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate intensity (e.g. per unit of production volume, per facility).	✓	Refining Emission Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓	Refining Emission Management
	A1.5	Description of emission target(s) set and steps taken to achieve them.	✓	Management System and Goals
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	✓	Management System and Goals
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	✓	Enhancing Resource Efficiency
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	✓	Enhancing Resource Efficiency
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	✓	Enhancing Resource Efficiency
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	✓	Management System and Goals
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	✓	Management System and Goals
	A2.5	Total packaging material used for finishing products (in tonnes) and, if applicable, with reference to per unit produced.	Not appliable to principal business	
A3 The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	✓	Striving for Environmental Protection
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	✓	Striving for Environmental Protection

Aspect	KPI	Content	Disclosure	Chapter/Remark
Social				
B1 Employment and Labour Practices	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	✓	Employment Policies and Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	✓	Employment Policies and Benefits
	B1.2	Employee turnover rate by gender, age group and geographical region.	✓	Employment Policies and Benefits
B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	✓	Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	✓	Occupational Health and Safety
	B2.2	Lost days due to work injury.	✓	Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	✓	Occupational Health and Safety
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	✓	Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	✓	Employee Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	✓	Employee Training and Development
B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	✓	Employment Policies and Benefits
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	✓	Employment Policies and Benefits
	B4.2	Description of steps taken to eliminate such practices when discovered.	Not applicable as there is no incidents related to child or forced labour	

Aspect	KPI	Content	Disclosure	Chapter/Remark
		Social		
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	✓	Sustainable Supply Chain Management
	B5.1	Number of suppliers by geographical region.	✓	Sustainable Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	✓	Sustainable Supply Chain Management
B6 Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	✓	Creating Customer Value (Information related to labelling is not applicable to principal business)
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to principal business	
	B6.2	Number of products and service related complaints received and how they are dealt with.	✓	Creating Customer Value
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	✓	Respecting intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Not applicable to principal business	
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	✓	Creating Customer Value
B7 Creating Customer Value	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	✓	Upholding Anti-corruption and Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	✓	Upholding Anti-corruption and Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	✓	Upholding Anti-corruption and Integrity
B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	✓	Committed to Public Welfare and Volunteering
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	✓	Committed to Public Welfare and Volunteering
	B8.2	Resources contributed (e.g. money or time) to the focus area.	✓	Carrying out Voluntary Services

DIRECTORS AND SENIOR MANAGEMENT

Directors and Senior Management

DIRECTORS

Mr. Deng Renjie

aged 50, is the Executive Vice President of China Merchants Group Limited. He graduated from Beijing Electronic Science and Technology Institute with a bachelor's degree of Computer Science Management in October 1991. He later obtained a master's degree of International Economic Law from Dalian Maritime University. Prior to his appointment as Executive Director of the Company, Mr. Deng Renjie successively served as Consultant of the General Office in Ministry of Transportation of China, Deputy Director of the General Office in Hunan Province, Deputy Secretary-General of Hunan Province, Deputy Secretary-General of the Party Committee of the Xinjiang Uyghur Autonomous Region and Assistant to General Manager, Director of Administration Department of China Merchants Group Limited and the Chairman of China Merchants Expressway Network & Technology Holdings Co., Ltd.. Mr. Deng is currently as Deputy Director of the 8th council of the China Highway & Transportation Society, Deputy Director of the 7th council of the China Communications and Transportation Association and the Chairman of China Merchants Port Group Co., Ltd., shares of which is listed on the Shenzhen Stock Exchange.

Mr. Deng was appointed to the Board of Directors as Executive Director of the Company on 1 June 2015 and retired as Executive Director of the Company on 29 November 2016. He was also appointed as Executive Director and Chairman of the Board of the Company on 13 February 2020.

Mr. Liu Weiwu

aged 56, is the Head of the Finance Department (Property Rights Department) of China Merchants Group Limited. He graduated from the Economics Department of Xi'an Highway Institute with a Bachelor's Degree in Engineering. He obtained a Master Degree of Business Administration from Macau University of Science and Technology and then obtained the intermediate accountant qualification. He previously served as the Head of Treasury Division of Financial Department of Guangzhou Ocean Shipping Company, the Manager of Financial Department of Hong Kong Ming Wah Shipping Company Limited, the Deputy General Manager of the Finance Department of China Merchants Group Limited, and the Chief Financial Officer, the Deputy General Manager and the Director of China Merchants Energy Shipping Co., Ltd., shares of which are listed on the Shanghai Stock Exchange. He is also currently an Independent Non-executive Director of AviChina Industry & Technology Company Limited, shares of which are listed on the Hong Kong Stock Exchange. He was appointed to the Board of Directors as Executive Director on 22 March 2021.

Mr. Xiong Xianliang

aged 53, is the General Manager of the Strategy and Development Department of China Merchants Group Limited. He graduated from Nankai University with a Master Degree and a Doctor Degree in Global Economics in July 1991 and January 1994, respectively. Prior to joining the Company, he was previously the Researcher Fellow and Division Chief of the Development Research Center of the State Council, the Deputy Head of the Chongqing Development and Planning Commission, the Deputy Head of the General Group of the Steering Committee Office of the Western Region Development of the State Council, the Inspector of the Research Office of the State Council, the General Manager of the Strategy and Research Department of China Merchants Group Limited, and the Non-executive Director of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and also served as General Manager of Institute of Science, Technology and Innovation, and the Chairman of the Development and Research Center of China Merchants Group Limited. He is also currently the Non-executive Director of China Merchants Securities Co. Ltd. and the Non-executive Director of Sinotrans Limited, shares of which are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Executive Director on 4 June 2018.

Mr. Bai Jingtao

aged 55, is a professor level senior engineer and Managing Director of the Company. He graduated from Tianjin University in Department of Hydraulics with a Bachelor Degree of Port and Channel Engineering in 1986, then studied at Graduate School of Wuhan University of Technology and Graduate School of Shanghai Maritime University and obtained a Master Degree of Management Sciences and Engineering and a Doctorate in Transport and Communications Planning and Management, respectively. Mr. Bai successively served as an Assistant Engineer in Planning and Design Institute of the Ministry of Communications of the PRC, an Officer in Department of Engineering Management and Department of Infrastructure Management of the Ministry of Communications, Deputy Director and Director in Department of Water Transport of the Ministry of Communications, Deputy General Manager of China Merchants Zhangzhou Development Zone, Deputy Director of Xiamen Port Authority, Deputy Director of Zhangzhou China Merchants Economic and Technological Development Zone, General Manager of China Merchants Zhangzhou Development Zone and Vice Chairman and Non-executive Director of Dalian Port (PDA) Company Limited, share of which are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Bai has extensive experience in port management, engineering construction, planning and management of water transport. He is also the Director and Chief Executive Officer of China Merchants Port Group Co., Ltd., shares of which is listed on the Shenzhen Stock Exchange, and Vice-Chairman of Shanghai International Port (Group) Co. Ltd., shares of which is listed on the Shanghai Stock Exchange. He was appointed as the Managing Director of the Board of Directors on 1 June 2015.

Mr. Ge Lefu

aged 57, is the Chairman of Supervisory Committee of Liaoning Port Group Co., Ltd.. He graduated from Dongbei University of Finance & Economics with a master's degree and a doctorate degree in financial studies in July 1988 and March 2001, respectively. Prior to joining the Company, he was previously a teaching assistant at the Dalian Vocational Technical College, the Deputy Director and the Director of Budget Office of Dalian Municipal Bureau of Finance, the Deputy Director and a member of the Party Leadership Group of Dalian Municipal Bureau of Finance, the Director of the General Office of Municipal Financial Management of Dalian, the Director and the Party Secretary of the Leadership Group of Government Financial Management of Liaoning Province, the Deputy Party Secretary of Yingkou Municipal Committee, the Acting Mayor and the Mayor of Yingkou City, the Party Secretary of Leadership Group and the Director General of Liaoning Provincial Department of Transportation. He was appointed to the Board of Directors as Executive Director on 5 June 2019.

Mr. Wang Zhixian

aged 55, joined the Company in July 1992 and is the Executive Director of the Company. He is a director of certain subsidiaries of the Company. He is also as Chairman of China Nanshan Development (Group) Incorporation. He graduated from Tianjin University, Shanghai Jiaotong University with a Master of Science. He obtained a master degree of Business Administration from Peking University. Mr. Wang has extensive management experience in port and shipping industry. Prior to joining the Company, he worked in Hempel-Hai Hong Paint Company as sales manager. After joining the Company, he was the Deputy General Manager of Industrial Management Department, General Manager of Business Planning Department, and he was the Deputy General Manager of Shenzhen Mawan Port Services Co., Ltd., the Chairman and CEO of Ningbo Daxie China Merchants International Terminal Co., Ltd. and the Managing Director of China Merchants Port Services (Shenzhen) Co., Ltd. and Shenzhen Haixing Harbour Development Co., Ltd., Deputy General Manager of the Company and a Non-executive Director of China International Marine Containers (Group) Co., Ltd., shares of which are listed on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. He was appointed to the Board of Directors as Executive Director on 18 February 2016.

Mr. Zheng Shaoping

aged 57, is the Executive Director and Deputy General Manager of the Company. He is also a director of certain subsidiaries of the Company. He graduated from Dalian Maritime University with Postgraduate Diploma in International Maritime Law, and obtained a Master Degree of Business Administration at University of Wales. Mr. Zheng has over 30 years' experience in the field of port management and successively served as the Vice Chairman of China Merchants Bonded Logistics Co., Ltd., the Chairman of Shekou Container Terminals Ltd., the General Manager and Chairman of Chiwan Container Terminal Co., Ltd., the General Manager and the Vice-Chairman of Shenzhen Chiwan Harbour Container Co., Ltd. and the Managing Director, the Chairman of Shenzhen Chiwan Wharf Holdings Limited, shares of which are listed on the Shenzhen Stock Exchange and a Non-executive Director of Dalian Port (PDA) Company Limited, shares of which are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. He is also currently as the Deputy General Manager of China Merchants Port Group Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange, Director of Shanghai International Port (Group) Co., Ltd. and Director of Ningbo Zhoushan Port Group Co., Ltd., both shares of which are listed on the Shanghai Stock Exchange. He was appointed to the Board of Directors as Executive Director on 10 February 2012.

Mr. Kut Ying Hay

aged 65, is a retired solicitor and a retired notary public in Hong Kong and had been in practice in the name of Kut & Co. for more than 25 years. He obtained qualification as a solicitor of the Supreme Court of England and Wales, the Supreme Court of Victoria, Australia, and the Supreme Court of Singapore, and as an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators, Australia. He was appointed by the Hong Kong Government as a member of the Board of Review for the period from 1995 to 1998. He was also appointed by the Ministry of Justice of the PRC as a China Appointed Attesting Officer (now retired). Mr. Kut was formerly an Independent Non-executive Director of publicly-listed China Merchants China Direct Investments Limited from June 1993 to October 2011. He was appointed to the Board of Directors as Independent Non-executive Director on 6 June 1992. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company.

Mr. Lee Yip Wah Peter

aged 78, is a retired solicitor. Following the delisting of shares of Sinotrans Shipping Limited on 16 January 2019, he ceased to act as Independent Non-Executive director of Sinotrans Shipping Limited on the same day. He is an Independent Non-executive Director of SHK Hong Kong Industries Limited, shares of which is listed on the Hong Kong Stock Exchange. He was appointed to the Board of Directors as Independent Non-executive Director on 20 June 2001.

Mr. Li Ka Fai David

aged 65, was the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising) till 31 December 2019 and thereafter, he is the senior auditor of SHINEWING (HK) CPA Limited. He is also a fellow of The Association of Chartered Certified Accountants, UK. He is an Independent Non-executive Director and Chairman of audit committee, member of remuneration committee and member of nomination committee of China-Hongkong Photo Products Holdings Limited, an Independent Non-executive Director, Chairman of audit committee, member of remuneration committee and member of nomination committee of Cosmopolitan International Holdings Limited, an Independent Non-executive Director, Chairman of audit committee, member of remuneration committee and member of nomination committee of Goldlion Holdings Limited, an Independent Non-executive Director and Chairman of audit committee of Shanghai Industrial Urban Development Group Limited, an Independent Non-executive Director, member of audit committee and member of remuneration committee of AVIC International Holding (HK) Limited, and an Independent Non-executive Director and Chairman of audit committee of Wai Yuen Tong Medicine Holdings Limited, an Independent Non-executive Director and Chairman of audit committee, Chairman of remuneration committee and member of nomination committee of CR Construction Group Holdings Limited, shares of the above seven companies are listed on the Hong Kong Stock Exchange. He was appointed to the Board of Directors as Independent Non-executive Director on 1 June 2007. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company.

Mr. Bong Shu Ying Francis

aged 78, OBE, JP, is currently a Non-executive Director of Cosmopolitan International Holdings Limited, shares of which are listed on the Hong Kong Stock Exchange. Mr. Bong holds a Bachelor's degree of Sciences in Engineering from the University of Hong Kong and was the Chairman of the Hong Kong University Engineering Advisory Committee. He is a former President of the Hong Kong Institution of Engineers, a former President of Hong Kong Academy of Engineering Sciences and a Fellow of the Institution of Structural Engineers (UK). Mr. Bong is an Honorary Fellow of the University of Hong Kong and he was appointed a Justice of Peace in 1992 by the Government of Hong Kong and he received an OBE award in 1997 for his outstanding contribution to the development of the engineering profession in Hong Kong. Mr. Bong was a former Director of AECOM Technology Corporation, a company listed on the New York Stock Exchange. He was appointed to the Board of Directors as Independent Non-executive Director on 14 July 2010.

SENIOR MANAGEMENT

Mr. Zhang Yi

aged 49, a senior economist, joining the Company in 2017 and currently served as deputy general manager of the Company. He graduated from Wuhan University of Technology with a P.H.D holder in Engineering. Mr. Yi has over 20 years' experience in the field of port management and successively served as a Planner in Planning and Development Bureau of Zhanjiang Port Authority, Deputy Director of Planning and Development Bureau of Zhanjiang Port Authority, Assistant Director of Zhanjiang Port Authority, Director of Zhanjiang Port (Group) Co. Ltd., President of Zhanjiang Port (Group) Co. Ltd., Chairman of Zhanjiang Port (Group) Co. Ltd..

Mr. Lu Yongxin

aged 51, joined the Company in 2007 and currently serves as deputy general manager of the Company. He obtained a master's degree in Project Management at the Curtin University of Technology (Perth, Western Australia). Mr. Lu has gathered rich managerial experience in the international portfolio expansion activities of port companies. Prior to joining the Company, he had served as Assistant General Manager of Zhen Hua Engineering Co., Ltd. and Deputy General Manager (in charge) of the General Manager's Office at China Harbor Engineering Co. Ltd. (Beijing). He was Deputy General Manager of the Research & Development Division, General Manager of the International Division, and Assisant General Manager of the Company. Between May, 2014 and January, 2016, Mr. Lu was accredited to France as Chief Financial Officer and Senior Vice President of Terminal Link.

Mr. Li Yubin

aged 48, joined the Company in 2007 and currently serves as deputy general manager of the Company. He graduated from Tianjin University with a Bachelor 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 rich experience of operational management and strategic research and planning in the port and logistics industries. Prior to joining the Company, he had served as Accredited Deputy General Manager of the Road & Bridge Project at China Harbor Engineering Co.'s Bangladeshi Office and Project Director at the International Division of China Harbor Engineering Co., Ltd.. After joining the Company, he was Assistant General Manager of the Research and Development Department, International Division, and Commercial and Strategic Planning Department respectively, General Manager of the Strategy and Operations Department, Deputy Chief Economist and, Chairman, General Manager of China Merchants Bonded Logistics Co., Ltd., Chief Representative of China Merchants Group in Djibouti.

Mr. Zhou Qinghong

aged 57, is a master's degree student at Shanghai Maritime University and is currently the deputy general manager of the Company. Mr. Zhou joined the work in 1986 and has more than 30 years of experience in port management. He has served as General Manager of the South China Container Terminal, Deputy General Manager, General Manager of Shenzhen Haixing Harbor Development Co., Ltd., General Manager of China Merchants Port (Shenzhen) Co., Ltd. and General Manager of Shekou Container Terminals 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 2020. All references in this section "Report of the Directors" to other sections in this Annual Report form part of this section.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 42 to 44 to the consolidated financial statements, respectively.

An analysis of the Group's performance for the current year by operating segments is set out in note 6 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 121.

The Board had declared an interim dividend of 18 HK cents per share, totaling HK$649 million, which was paid on 16 November 2020.

The Directors have resolved to recommend the payment of a final scrip dividend of 51 HK cents per share, totaling HK$1,867 million for the year ended 31 December 2020 by way of an issue of new shares with an alternative to the shareholders of the Company (the "**Shareholders**") to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2019: scrip dividend of 58 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 16 July 2021 to the shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 9 June 2021 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 1 June 2021, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 15 June 2021. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Hong Kong Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 16 July 2021.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Chairman's Statement and the Management Discussion and Analysis on pages 6 to 13 and pages 14 to 30 of this Annual Report respectively. Description of key risk factors and uncertainties that the Group is facing is provided in the Management Discussion and Analysis on pages 14 to 30 of this Annual Report while the financial risk management of the Group can be found in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Highlights on inside front cover of this Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders including shareholders, employees, customers and suppliers etc and environmental policies and performance are contained in the Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report on pages 14 to 30, pages 33 to 45 and pages 46 to 89 of this Annual Report respectively.

PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries of the Company are set out from pages 240 to 243 of this Annual Report.

CHARITABLE DONATIONS

Donation of HK$30.00 million was made by the Group during the year (2019: HK$20.00 million).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 32 and 45 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

SHARES ISSUED

Details of the movements in the issued shares of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2020 amounted to HK$2,878 million (2019: HK$2,779 million).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out from page 31 to 32 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors:

Mr. Fu Gangfeng *(Chairman)*
(resigned on 13 February 2020)
Mr. Deng Renjie *(Chairman)*
(appointed on 13 February 2020)
Mr. Su Jian
(resigned on 22 March 2021)
Mr. Liu Weiwu
(appointed on 22 March 2021)
Mr. Xiong Xianliang
Mr. Bai Jingtao *(Managing Director)*
Mr. Ge Lefu
Mr. Wang Zhixian
Mr. Zheng Shaoping

Independent Non-executive Directors:

Mr. Kut Ying Hay
Mr. Lee Yip Wah Peter
Mr. Li Ka Fai David
Mr. Bong Shu Ying Francis

Biographical details of each Director and member of senior management of the Company are set out in the Directors and Senior Management on pages 90 to 95 of this Annual Report.

Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Board of the Company with effect from 13 February 2020 due to change of work arrangement.

Mr. Su Jian resigned as Executive Director of the Company with effect from 22 March 2021 due to change of work arrangement.

In accordance with Article 89 of the Articles of Association, Mr. Xiong Xianliang, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping 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. Liu Weiwu will retire from office at the forthcoming annual general meeting and shall be eligible and offer himself for re-election.

Each of the Directors has entered into an appointment letter with the Company for a term of three years. The appointment date of each of Directors are as follows:

One Executive Directors' appointment commenced on 1 June 2018;

One Executive Director's appointment commenced on 4 June 2018;

One Executive Director's appointment commenced on 18 February 2019;

One Executive Director's appointment commenced on 5 June 2019;

One Executive Director's appointment commenced on 13 February 2020;

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

One Executive Director's appointment commenced on 29 March 2021;

One Independent Non-executive Director's appointment commenced on 1 June 2019;

One Independent Non-executive Director's appointment commenced on 14 July 2019; and

Two Independent Non-executive Directors' appointment commenced on 22 March 2020.

The appointment of each of the Directors is subject to retirement by rotation in accordance with the Articles of Association.

The Company has received annual confirmations from each of the Independent Non-executive Directors in relation to their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company.

DIRECTORS OF SUBSIDIARIES

The name of persons who have served on the board of the subsidiaries of the Company during the year ended 31 December 2020 and up to the date of this report are Mr. Wang Zhixian and Mr. Zheng Shaoping.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding companies, its fellow subsidiaries or its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2020, 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 2020
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	244,236	—	0.0067%

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

Name of Director	Capacity	Nature of interest	Number of shares held in the Company's associated corporation	Number of shares options granted	Percentage of aggregate long position in shares held to the issued shares of the Company's associated corporation as at 31 December 2020
Mr. Bai Jingtao	Beneficial owner	Personal interest	—	420,000 (Note)	0.022%
Mr. Ge Lefu	Beneficial owner	Personal interest	—	350,000 (Note)	0.018%
Mr. Wang Zhixian	Beneficial owner	Personal interest	—	170,000 (Note)	0.009%
Mr. Zheng Shaoping	Beneficial owner	Personal interest	—	350,000 (Note)	0.018%

Note:

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

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2020, 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 Hong Kong Stock Exchange.

PENSION SCHEME

Details of the pension scheme, maintained by the Group, contributions made and forfeiture utilised during the year are set out on page 157 to 158 of this Annual Report.

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 9 December 2011 (the "**Adoption Date**"), the shareholders of the Company adopted the new share option scheme (the "**Share Option Scheme**") and the previous share option scheme was terminated on the same date. Under the Share Option Scheme the Board may, at its discretion, invite any director or employee of the Company or any of its subsidiaries or associates, to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by the CMHK Group (representing China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**"), an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group, together with directors and employees of the Company, its subsidiaries and associates (the "**Eligible Persons**").

Details of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide the Company with a flexible means of incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

(ii) Qualifying participants

Any Eligible Persons.

(iii) Maximum number of shares

(1) 10% limit

Subject to (iii)(2) and (iii)(3) below, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the Share Option Scheme and the Terminated Schemes will not be counted for the purpose of calculating the 10% limit.

(2) Refreshing the 10% limit

Subject to (iii)(5) below if applicable, the Board may, with the approval of the shareholders in general meeting "refresh" the 10% limit under (iii)(1) above (and may further "refresh" such limit once refreshed in accordance with the provisions of this rule), provided that the total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the shares in issue at the date on which the shareholders approve the "refreshed" limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the schemes) will not be counted for the purpose of calculating the limit as "refreshed".

(3) Exceeding the 10% limit

The Board may grant option to any Eligible Person or Eligible Persons specifically identified by them which would cause the limit under (iii)(1) above (including, for the avoidance of doubt, any such limit as "refreshed" under (iii) (2) above) to be exceeded, but only with the approval of the shareholders of the Company in general meeting, and subject always to (iii)(5) below.

(4) Individual limit

(a) Subject to (iii)(4)(b) below (and subject always to (iii)(5) below), the Board shall not grant any option (the "**Relevant Options**") to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him/her under all options granted to him/her in the 12-month period up to and including the date of grant of the Relevant Options, exceed 1% of the shares in issue at such date.

(b) Notwithstanding (iii)(4)(a) above, the Board may grant options to any Eligible Person or Eligible Persons causing the limit under (iii)(4)(a) above in relation to such Eligible Person to be exceeded, but only with the approval of the shareholders of the Company in general meeting (with such Eligible Person and his associates abstaining from voting), and subject always to (iii)(5) below.

(5) 30% maximum limit

The number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme to Eligible Persons must not exceed 30% of the shares in issue from time to time.

(iv) Option period

Subject to certain provisions, an option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time up to the expiry of 10 years (or less, as the case may be) from the date of grant of the option. The exercise of the options may be subject to any conditions imposed by the Board at the time of offer. The rules of the Share Option Scheme do not contain specific provisions for the minimum period which an option must be held before exercise or performance targets applicable to the options.

(v) Payment for option

Option-holders are not required to pay for grant of an option.

(vi) Subscription price

The subscription price for the shares in respect of which options are granted shall not be less than the higher of (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(vii) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and ending on 8 December 2021.

(viii) Shares available for issue under the Share Option Scheme

As at 30 March 2021, the total number of shares available for issue under the Share Option Scheme was 247,441,123 shares, which represent approximately 6.76% of the total issued shares of the Company as at the same date.

(ix) Shares options outstanding, granted, exercised, lapsed or cancelled

No share options were outstanding, granted, exercised, lapsed or cancelled under the Share Option Scheme during the financial year from 1 January to 31 December 2020.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the following persons, other than a Director or chief executive of the Company, have 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 Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long Positions

Name of substantial shareholder	Capacity	Shares/underlying Shares held	%
China Merchants Group Limited	Interest of Controlled Corporation	2,327,829,484(1,2,3,4)	63.58%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,301,225,484(2)	62.86%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,301,225,484(2)	62.86%
Broadford Global Limited	Interest of Controlled Corporation	1,499,930,606(2)	40.97%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,499,930,606(2)	40.97%
China Merchants Investment Development Company Limited	Interest of Controlled Corporation	1,499,930,606(2)	40.97%
China Merchants Port Group Co., Ltd.	Beneficial Owner	1,499,930,606(2)	40.97%
China Merchants Union (BVI) Limited	Beneficial Owner	801,294,878(2)	21.89%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000(3)	0.08%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000(3)	0.08%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000(3)	0.08%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	23,604,000(4)	0.64%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000(4)	0.64%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000(4)	0.64%
Sinotrans Shipping Ltd.	Beneficial Owner	23,604,000(4)	0.64%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878(5)	21.89%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878(5)	21.89%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878(5)	21.89%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878(5)	21.89%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("**CMSN**"), China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("**CMSIZ**") and Sinotrans & CSC Holdings Co., Ltd. ("**Sinotrans CSC**") is a subsidiary of China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 2,327,829,484 shares, which represents the aggregate of 2,301,225,484 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 Investment Development Company Limited ("**CMID**") is in turn wholly-owned by Rainbow. China Merchants Port Group Co., Ltd. ("**CMPG**"), which is 59.75%-owned by CMID.

   CMSN is deemed to be interested in 2,301,225,484 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 801,294,878 shares beneficially held by CMU and 1,499,930,606 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 Sinotrans Shipping Ltd. ("**SSL**") is 96.43%-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 SSL.

5. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited ("**Pagoda Tree**") on 3 August 2020, 50% interest in CMU is owned by Verise Holdings Company Limited ("**Verise Holdings**"), which is wholly-owned by CNIC Corporation Limited ("**CNIC Corporation**"), which is in turn 90%-owned by Compass Investment Company Limited ("**Compass Investment**"), which is in turn wholly-owned by Pagoda Tree. Therefore, each of Verise Holdings, CNIC Corporation, Compass Investment and Pagoda Tree is deemed to be interested in the 801,294,878 shares beneficially held by CMU.

Short Positions

Nil

Save as disclosed above, there was no person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that subject to the provisions of the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director of the Company shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done by him as Director of the Company and in which judgment is given in his favour or in which he is acquitted, or incurred in connection with any application in which relief is granted to him by the court from liability in respect of any such act or omission.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme is set out in this report and note 31 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, 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) On 30 March 2020, China Merchants Holdings (International) Information Technology Company Limited (招商局國際信息技術有限公司) ("**CMHIT**"), a subsidiary of the Company as at the date of the transaction, entered into the IT system development agreement with Shekou Assets Management (the "**CMHIT IT System Development Agreement**"), pursuant to which, CMHIT agreed to develop the 5G Smart Port Innovation Laboratory (5G智慧港口創新實驗室) for Shenzhen China Merchants Shekou Assets Management Co., Ltd. (深圳市招商蛇口資產管理有限公司) ("**Shekou Assets Management**"). The total consideration receivable by CMHIT is RMB15,000,000 (equivalent to approximately HK$16,700,000) (VAT exclusive). Shekou Assets Management is a subsidiary of CMG, the ultimate holding company of the Company, and therefore Shekou Assets Management is a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the CMHIT IT System Development Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(b) On 30 March 2020, Shenzhen Haixing Port Development Company Limited (深圳海星港口發展有限公司) ("**Haixing**"), a subsidiary of the Company, and CMHIT entered into the supplemental agreement to the IT system development agreement dated 19 March 2019 (the "**Haixing IT System Development Agreement**") entered into between Haixing and CMHIT in relation to the development of the Haixing Smart Port IT System (海星智慧港信息化系統) (the "**Supplemental Agreement to the Haixing IT System Development Agreement**"), pursuant to which, certain amendments are made to the scope of work to be completed by CMHIT as a result of a relocation of certain modular system requested by Haixing. Accordingly, Haixing agreed to pay an additional RMB1,392,355.09 (equivalent to approximately HK$1,550,000) to CMHIT for the additional work and equipment required from CMHIT. As at the date of the transaction, CMHIT was held by the Company and China Merchants Group Co Limited (招商局港口集團股份有限公司) ("**CMPG**") as to 76.84% and 23.16%, respectively. Since CMPG is a substantial shareholder of the Company, CMPG is a connected person of the Company and CMHIT was a connected subsidiary of the Company under the Listing Rules as at the date of the transaction. Accordingly, the transaction contemplated under the Supplemental Agreement to the Haixing IT System Development Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(c) On 7 July 2020, China Merchants Port Services (Shenzhen) Company Limited (招商港務 (深圳) 有限公司) ("**SCMPS**") entered into eight new separate lease agreements as lessee and China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) ("**CMSIZ**") as lessor (the "**New CMSIZ Lease Agreements**") to continue to lease a total of 20 parcels of land in the Shekou Industrial Park from CMSIZ for a term of two years which the parties agree to take retrospective effect as from 1 January 2020 and ending on 31 December 2021. The annual total rental fees payable by SCMPS to CMSIZ under the New CMSIZ Lease Agreements (as aggregated) is approximately RMB29,430,000 (equivalent to approximately HK$32,340,000) for each of the years ending 31 December 2020 and 2021. The total rental fees payable by SCMPS to CMSIZ over the two-year term under the New CMSIZ Lease Agreements (as aggregated) is approximately RMB58,860,000(equivalent to approximately HK$64,680,000). CMSIZ is a subsidiary of CMG, the ultimate holding company of the Company. Accordingly, CMSIZ is a connected person of the Company and the transactions contemplated under the New CMSIZ Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

(d) On 18 December 2020, (a) the Company, (b) CMPG, (c) Dalian Port Container Development Co., Ltd. (大連港集裝箱發展有限公司) ("**Dalian Port Container**"), (d) Dalian Port Jifa Logistics Co., Ltd. (大連港集發物流有限責任公司) ("**Dalian Port Jifa Logistics**"), (e) Yingkou Port Group Co., Ltd. (營口港務集團有限公司) ("**Yingkou Port Group**") and (f) CMHIT, a subsidiary of the Company, entered into an equity subscription and capital injection agreement (the "**Equity Subscription and Capital Injection Agreement**"), pursuant to which (i) Dalian Port Container, Dalian Port Jifa Logistics and Yingkou Port Group agreed to make capital contributions to CMHIT (the "**Capital Injection**") in the total amount equivalent to RMB80,494,900 (equivalent to approximately HK$95,500,000) (of which RMB37,848,200 (equivalent to approximately HK$44,900,000) will be credited as the registered capital of CMHIT and the remaining amount will be credited as the capital reserve of CMHIT) by way of a transfer of 49.63% equity interests in Dalian Port Net Co., Ltd. (大連口岸物流網股份有限公司) ("**DPN**") by Dalian Port Container to CMHIT and a transfer of 29.40% equity interests in DPN by Dalian Port Jifa Logistics to CMHIT (together, the "**DPN Equity Transfers")** and the transfer of 100% equity interests in Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司) ("**Gangxin Technology**") by Yingkou Port Group to CMHIT (the "**Gangxin Technology Equity Transfer**"); and (ii) the Company and CMPG agreed to waive any pre-emptive rights they might have in subscribing for any equity interests in CMHIT. Following the completion of the Capital Injection, (i) the equity interests in CMHIT held by the Company will decrease from approximately 76.84% to approximately 43.74%, and (ii) Gangxin Technology and DPN will become the subsidiaries of CMHIT, which will hold 100% equity interests in Gangxin Technology and approximately 79.03% equity interests in DPN. CMHIT will cease to be a subsidiary of the Company and its results will no longer be consolidated into the consolidated financial statements of the Group upon the completion. Accordingly, the Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. Further, as a result of the Capital Injection, CMHIT will acquire (1) approximately 79.03% equity interests in DPN by way of DPN Equity Transfers and (2) 100% equity interests in Gangxin Technology by way of the Gangxin Technology Equity Transfer. Therefore, the Capital Injection also constitutes an acquisition by the Group. As at the date of the transaction, CMHIT was held by the Company and CMPG as to approximately 76.84% and approximately 23.16%, respectively. As CMPG holds approximately 40.91% equity interests in the Company, CMPG is a substantial shareholder of the Company and thus a connected person of the Company at the issuer level. Accordingly, as at the date of the transaction, CMHIT was a connected subsidiary of the Company under Chapter 14A of the Listing Rules.

(e) On 29 December 2020, the Company entered into the investment agreement with Great Horn Investment Holdings S.A.S., ("**GHIH**"), CMSIZ, Top Chief Company Limited ("**Top Chief**"), Port de Djibouti S.A. ("**PDSA**") and Djibouti Ports & Free Zones Authority ("**DPFZA**") in relation to the proposed formation of Red Sea World S.A. (the "**Red Sea World Joint Venture**") in connection with the redevelopment of a land situated in the Djibouti Old Port area on the north side of the Djibouti city centre by the Red Sea World Joint Venture (the "**Investment Agreement**"). Pursuant to the Investment Agreement, a company proposed to be incorporated in Djibouti (a direct wholly-owned subsidiary of GHIH), China Merchants Holdings (Djibouti) FZE ("**CMHD**") (an indirect, wholly-owned subsidiary of the Company) and Orienture Holdings (DJIBOUTI) FZE ("**OHD**") (an indirect, wholly-owned subsidiary of Top Chief) shall have a 60%, 23.5% and 16.5% interest in the Red Sea World Joint Venture, respectively. Each of Top Chief and OHD is a wholly-owned subsidiary of CMSIZ, and CMSIZ is an associate of CMG, the ultimate holding company of the Company, and therefore they are all connected persons of the Company. Accordingly, the Investment Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(f) Details of the continuing connected transactions of the Group for the year ended 31 December 2020 that are subject to the reporting and annual review requirements under the Listing Rules are set out below:

Name of party	Nature of transaction	Note	Annual Cap HK$' million
CMPG and its subsidiaries (the "**CMPG Group**")	Rental of an office space in Qianhai, Shenzhen as lessor	(i)	10.75*
Yiu Lian Dockyard Limited ("**Yiu Lian**")	Provisions of ship berthing services for bringing ships into and from the Tsing Yi Terminal charged to the Group	(ii)	(14.5)
Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司) ("**Sinotrans & CSC**") and its subsidiaries ("**Sinotrans & CSC Group**")	Provision of port-related services charged by the Group	(iii)	73.9*
Sinotrans & CSC Group	Provision of agency services charged to the Group	(iii)	(11.9)*
CMPG Group	Provision of port and port-related services charged by the Group	(iv)	28.57*
CMPG Group	Provision of port and freight forwarding services charged to the Group	(iv)	(23.81)*
CMG and its subsidiaries (the "**CMG Group**") and its associates	Provision of port and port-related services charged by the Group	(v)	99*
CMG Group and its associates	Provision of port and port-related services charged to the Group	(v)	(34)*
China Merchants Group Finance Company Limited (招商局集團財務有限公司) ("**China Merchants Finance**")	Placing of deposits	(vi)	2,100**
China Merchants Finance	Provision of clearing and settlement services charged to the Group	(vi)	(10)
China Merchants Finance	Provision of foreign exchange clearance and settlement services charged to the Group	(vi)	(10)
China Merchants Finance	Provision of other financial services charged to the Group	(vi)	(10)
Sinotrans Air Transportation GmbH ("**Sinotrans Air**")	Provision of proxy services charged to the Group	(vii)	(34)*
CMHIT	Provision of technology consulting services charged to the Group	(viii)	(214.29)*

Name of party	Nature of transaction	Note	Annual Cap HK$' million
Chiwan Container Terminal Co., Ltd (赤灣集裝箱碼頭有限公司) ("**Chiwan Container Terminal**"), Chiwan Port Container Co., Ltd (深圳赤灣港集裝箱有限公司) ("**Chiwan Port Container**"), Mawan Port Company Limited (深圳媽灣港務有限公司) ("**Mawan Port**"), Mawan Storage Company Limited (深圳媽港倉碼有限公司) ("**Mawan Storage**") (the "**CMPG Subsidaries**")	Provision of information services charged by a subsidiary of the Group	(ix)	118.3*
CMHIT	Provision of various technology consulting services charged to a subsidiary of the Group	(ix)	(95.1)*
China Merchants Commercial Property Investment Shenzhen Co., Ltd ("**SCMPI**")	Provision of property management services charged to the Group	(x)	(10.5)*
CMHIT	Provision of Haixing IT Development services charged to a subsidiary of the Group	(xi)	(103.5)

* The transactions and respective annual caps are denominated in other currencies and are converted to HK$ using the exchange rates prevailing on the dates of the announcements on which the annual caps were disclosed.

** This figure represents the cap in respect of the aggregate amount of deposit that may be placed by the Group at any point of time during the year ended 31 December 2020.

Notes:

(i) The CMPG Group has been leasing certain properties and receiving management services from the Group, including the leasing of an office space in Qianhai, Shenzhen under a tenancy agreement entered into between Malai Storage (Shenzhen) Company Limited (碼來倉儲(深圳)有限公司) ("**Malai Storage**") (an indirect wholly-owned subsidiary of the Company) and Chiwan Container Terminal, Mawan Port, Mawan Storage and Chiwan Port Container (members of CMPG Group) for a term of three years commencing on 1 January 2018 and ending on 31 December 2020 (the "**CMPG Tenancy Agreement**"). On 17 December 2018, the Directors resolved to set an aggregate annual cap in respect of the rental income receivable by Malai Storage from members of the CMPG Group at RMB9,460,000 (equivalent to approximately HK$10,750,000) for each of the two years ending 31 December 2019 and 2020. The total rental income received and receivable by Malai Storage from CMPG Group under the CMPG Tenancy Agreement in connection with the lease period in the year ended 31 December 2020 was approximately RMB8,700,000 (equivalent to approximately HK$9,800,000). Each of Chiwan Container Terminal, Mawan Port, Mawan Storage and Chiwan Port Container is a subsidiary of CMPG, a substantial shareholder of the Company. Accordingly, each of Chiwan Container Terminal, Mawan Port, Mawan Storage and Chiwan Port Container is a connected person of the Company.

(ii) On 19 December 2019, the Directors approved a ship berthing services agreement entered into between China Merchants Container Services Limited ("**CMCS**") and Yiu Lian, pursuant to which Yiu Lian agreed to continue to provide barges for bringing ships into and from the Tsing Yi Terminal for a term of one year commenced on 1 January 2020 and ended on 31 December 2020 at a rate of HK$3,250 per barge, and CMCS shall be responsible for the payment of fuel oil surcharge of HK$300 per barge for each time the barge has brought ships into and from the Tsing Yi Terminal (the "**2020 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 2020 Ship Berthing Services Agreement for the year ended 31 December 2020 at HK$14,500,000. The aggregate ship berthing fees paid and payable by CMCS to Yiu Lian under the 2020 Ship Berthing Services Agreement for the year ended 31 December 2020 was HK$10,400,000. On 17 December 2020, in view of the expiry of the 2020 Ship Berthing Services Agreement on 31 December 2020, CMCS and Yiu Lian entered into a new ship berthing services agreement for a term of one year commenced on 1 January 2021 and ending on 31 December 2021 (the "**2021 Ship Berthing Services Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate ship berthing fees payable under the 2021 Ship Berthing Services Agreement for the year ending 31 December 2021 at HK$14,500,000. 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.

(iii) On 17 December 2018, the Company and Sinotrans & CSC entered into a comprehensive services framework agreement (the "**2019 Comprehensive Services Framework Agreement**") which sets out a framework for (a) the provision of port-related services by members of the Group to members of the Sinotrans & CSC Group, and (b) the provision of agency services by members of the Sinotrans & CSC Group to members of the Group. The 2019 Comprehensive Services Framework Agreement is for a term of three years commenced on 1 January 2019 and ending on 31 December 2021 and provides that the provision of port-related services by members of the Group to members of the Sinotrans & CSC Group, and the provision of agency services by members of the Sinotrans & CSC Group to members of the Group shall be at prices that are fair and reasonable and shall be at terms not less favourable than those provided to independent third parties. Further specific agreements shall be entered into between the relevant members of the Group and relevant members of the Sinotrans & CSC Group in respect of each transaction within the scope of the 2019 Comprehensive Services Framework Agreement and the Company and Sinotrans & CSC shall procure their respective subsidiaries to ensure that the terms of the specific agreements are entered into in accordance with the principles set out in the 2019 Comprehensive Services Framework Agreement. The specific price for each transaction shall be negotiated at arm's length by the relevant member of the Group and the relevant member of the Sinotrans & CSC Group at the time when the transaction is entered into. With respect to the provision of port-related services, the price to be charged will be based on the then prevailing standard fee schedule applicable to the relevant port and calculated with reference to the type of vessel and the weight of cargo to be handled. With respect to the receipt of agency services, the relevant member of the Group will, prior to the entering into of the specific agreement, solicit at least two other offers from independent third parties to ensure that the price quoted by the relevant member of the Sinotrans & CSC Group complies with the relevant provisions under the 2019 Comprehensive Services Framework Agreement. On the same day, the Directors resolved to set the following annual caps: (i) in respect of the service fees for port-related services receivable by the Group from Sinotrans & CSC and its associates for each of the three years ending 31 December 2019, 2020 and 2021 as RMB50,000,000 (equivalent to approximately HK$56,800,000), RMB65,000,000 (equivalent to approximately HK$73,900,000) and RMB84,500,000 (equivalent to approximately HK$96,000,000), respectively; and (ii) in respect of the service fees for agency services payable by the Group to Sinotrans & CSC and its associates for each of the three years ending 31 December 2019, 2020 and 2021 as RMB8,000,000 (equivalent to approximately HK$9,100,000), RMB10,400,000 (equivalent to approximately HK$11,899,000) and RMB13,520,000 (equivalent to approximately HK$15,400,000), respectively. The aggregate service fee received and receivable by the Group for port-related services and the service fee paid and payable by the Group for agency services in connection with the service period in the year ended 31 December 2020 was RMB26,300,000 (equivalent to approximately HK$29,600,000) and RMB1,100,000 (equivalent to approximately HK$1,200,000), respectively. Sinotrans & CSC is a wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(iv) On 19 December 2019, CMPG and the Company entered into a service framework agreement (the "**2020 CMPG Services Framework Agreement**") for a term of one year commenced on 1 January 2020 and ended on 31 December 2020. Pursuant to the 2020 CMPG Services Framework Agreement, the prices for the provision of port and port-related services by members of the Group to members of the CMPG Group and the provision of port and freight forwarding services by members of the CMPG Group to members of the Group should be fair and reasonable and shall be at terms not less than those provided to independent third parties and that the terms and conditions for these services shall be determined with reference to the prevailing market conditions. The specific price for each transaction shall be negotiated at arm's length by the relevant member of the Group and the relevant member of the CMPG Group at the time when the transaction is entered into. On the same day, the Directors resolved to set the annual cap in respect of the service fees for the provision of port and port-related services receivable by the Group from CMPG Group for the year ended 31 December 2020 as RMB24,000,000 (equivalent to approximately HK$28,570,000) and the annual cap in respect of the service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ended 31 December 2020 as RMB20,000,000 (equivalent to approximately HK$23,810,000). The aggregate service fees for the provision of port and port-related services receivable by the Group from CMPG Group and the service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ended 31 December 2020 was RMB23,500,000 (equivalent to approximately HK$26,500,000) and RMB7,900,000 (equivalent to approximately HK$8,800,000), respectively. On 17 December 2020, in view of the expiry of the 2020 CMPG Services Framework Agreement on 31 December 2020, CMPG and the Company entered into a new services framework agreement (the "**2021 CMPG Services Framework Agreement**") for a term of one year commenced on 1 January 2021 and ending on 31 December 2021. The Directors resolved to set the annual cap in respect of the service fees for the provision of port and port-related services receivable by the Group from CMPG Group for the year ending 31 December 2021 as RMB27,000,000 (equivalent to approximately HK$32,140,000) and the annual cap in respect of the service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ending 31 December 2021 as RMB22,000,000 (equivalent to approximately HK$26,190,000). CMPG is a substantial shareholder of the Company, and accordingly, CMPG is a connected person of the Company.

(v) As the 2019 Comprehensive Services Framework Agreement and 2020 CMPG Services Framework Agreement are of similar nature or otherwise connected, the port and port-related services provided by the Group to (i) Sinotrans & CSC and its associates and (ii) CMPG Group will be aggregated and treated as if they were one transaction. Similarly, the port-related agency service provided by (i) Sinotrans & CSC and (ii) CMPG Group and its associates to the Group will be aggregated and treated as if they were one transaction. The Directors resolved to set an aggregate annual cap in respect of the annual aggregate maximum amount of port and port-related service fees receivable by the Group and its associates from the CMG Group and its associates for the year ended 31 December 2020 at RMB89,000,000 (equivalent to approximately HK$99,000,000) and an aggregate annual cap in respect of the annual aggregate maximum amount of port-related agency service fees payable by the Group and its associates to the CMG Group and its associates for the year ended 31 December 2020 at RMB30,400,000 (equivalent to approximately HK$34,000,000). The annual aggregate port and port-related service fees receivable by the Group and its associates from the CMG Group and its associates for the year ended 31 December 2020 was RMB82,300,000 (equivalent to approximately HK$92,500,000) and an aggregate port-related agency service fees payable by the Group and its associates to the CMG Group and its associates for the year ended 31 December 2020 was RMB26,400,000 (equivalent to approximately HK$29,700,000).

(vi) On 19 December 2019, the Company and China Merchants Finance entered into a financial services agreement (the "**2020 Financial Services Agreement**") for a term of three years commenced on 23 December 2019 and ending on 22 December 2022 to set out the framework for future transactions in relation to (i) the depositing of money by the Group with China Merchants Finance; (ii) the provision of clearing and settlement services by China Merchants Finance; (iii) the provision of loans and other credit services by China Merchants Finance; (iv) the provision of foreign exchange clearance and settlement services and (v) the provision of other financial services (including wealth management, securities underwriting and financial consultancy services). With respect to the depositing of money by the Group with China Merchants Finance at any point of time during the term of the 2020 Financial Services Agreement, the Directors resolved to set the maximum amount of deposit at HK$2,100,000,000. With respect to (i) the fees payable by the Group for the provision of clearing and settlement services; (ii) the fees payable by the Group for the provision of foreign exchange clearance and settlement services and (iii) the fees payable by the Group for the provision of other financial services for each of the years ending 31 December 2020, 2021 and 2022 under the 2020 Financial Services Agreement, the Directors resolved to set the annual caps at HK$10,000,000, HK$10,000,000 and HK$10,000,000, respectively. The maximum amount of deposit placed by the Group during the year ended 31 December 2020 was HK$1,364,800,000. No fee was paid and payable by the Group for the provision of clearing and settlement services, foreign exchange clearance and settlement services and other financial services for the year ended 31 December 2020. China Merchants Finance is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(vii) On 19 December 2019, China Merchants (Luxembourg) S.a.r.l. ("**CM Luxembourg**"), an indirect wholly-owned subsidiary of the Company and Sinotrans Air entered into a proxy services agreement for a term of one year commenced on 1 January 2020 and ended on 31 December 2020 (the "**2020 Freight Operation Proxy Services Agreement**"). Pursuant to the 2020 Freight Operation Proxy Services Agreement, Sinotrans Air will provide proxy services to CM Luxembourg. The management fees under the 2020 Freight Operation Proxy Services Agreement are negotiated on an arm's length basis with reference to the market management fees of similar services and the volume of services required by CM Luxembourg. It was estimated that the management fees payable by CM Luxembourg to Sinotrans Air would be approximately EUR4,000,000 (equivalent to approximately HK$34,000,000). On the same day, the Directors resolved to set the annual cap in respect of the aggregate management fees payable under the 2020 Freight Operation Proxy Services Agreement for the year ended 31 December 2020 at EUR4,000,000 (equivalent to approximately HK$34,000,000). The aggregate management fee paid under the 2020 Freight Operation Proxy Services Agreement in connection with the service period in the year ended 31 December 2020 was EUR15,000 (equivalent to approximately HK$133,000). Sinotrans Air is an indirect subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company. CM Luxembourg has liquidated on 10 December 2020.

(viii) On 19 December 2019, the Company and CMHIT entered into a comprehensive services framework agreement (the "**2020 CMHIT 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 CMHIT to members of the Group for a term of one year commenced on 1 January 2020 and ended on 31 December 2020. On the same day, the Directors resolved to set the annual cap in respect of the service fees payable by the Group to CMHIT for the year ended 31 December 2020 at RMB90,000,000 (equivalent to approximately HK$107,140,000). On 30 March 2020, the Directors resolved to revise the annual cap in respect of the service fees payable by the Group to CMHIT for the year ended 31 December 2020 to RMB180,000,000 (equivalent to approximately HK$214,290,000). The amount of service fees paid by the Group to CMHIT in connection with the services in the year ended 31 December 2020 was RMB111,100,000 (equivalent to approximately HK$124,900,000). On 17 December 2020, in view of the expiry of the 2020 CMHIT Comprehensive Services Framework Agreement on 31 December 2020, the Company and CMHIT entered into a new comprehensive services framework agreement (the "**2021 CMHIT Comprehensive Services Framework Agreement**") for a term of one year commenced on 1 January 2021 and ending on 31 December 2021. The Directors resolved to set the annual cap in respect of the service fees payable by the Group to CMHIT and its subsidiaries ("**CMHIT Group**") under the 2021 CMHIT Comprehensive Services Framework Agreement for the year ending 31 December 2021 at RMB180,000,000 (equivalent to approximately HK$214,290,000). As at the date of the transaction, CMHIT was held by the Company and CMPG as to 76.84% and 23.16%, respectively. Since CMPG is a substantial shareholder of the Company, CMPG is a connected person of the Company, and accordingly, CMHIT was a connected subsidiary of the Company as at the date of the transaction. However, upon the completion of the Equity Subscription and Capital Injection Agreement, CMHIT has ceased to be a subsidiary of the Company since 9 February 2021.

(ix) On 30 March 2020, Shekou Container Terminal Co., Ltd ("**Shekou Container Terminal**"), Haixing (both a subsidiary of the Company), the CMPG Subsidiaries and CMHIT entered into a comprehensive services framework agreement in relation to the provision of information services by CMHIT to the CMPG Subsidiaries, Shekou Container Terminal and Haixing (the "**2020 CMPG IT Services Framework Agreement**"). The 2020 CMPG IT Services Framework Agreement is valid until 31 December 2020. The Directors also resolved on the same day to set the annual cap in respect of the service fees receivable by CMHIT from the CMPG Subsidiaries under the 2020 CMPG IT Services Framework Agreement for the year ended 31 December 2020 at approximately RMB106,485,900 (equivalent to approximately HK$118,318,000). The Directors also resolved to set the annual cap in respect of the service fees payable by Shekou Container Terminal to CMHIT for the year ending 31 December 2020 at RMB85,549,100 (equivalent to approximately HK$95,054,600). The amount of service fees received and receivable by CMHIT from the CMPG Subsidiaries in connection with the services in the year ended 31 December 2020 was RMB38,900,000 (equivalent to approximately HK$43,700,000). The amount of service fees paid and payable by Shekou Container Terminal to CMHIT in connection with the services in the year ended 31 December 2020 was RMB21,400,000 (equivalent to approximately HK$24,000,000). On 17 December 2020, in view of the expiry of the 2020 CMPG IT Services Framework Agreement on 31 December 2020, CMPG and CMHIT entered into a new comprehensive service framework agreement (the "**2021 CMPG IT Services Framework Agreement**") for a term of one year commenced on 1 January 2021 and ending on 31 December 2021 for the provision of information services by CMHIT to certain subsidiaries of CMPG. The Directors resolved to set the annual cap in respect of the service fees receivable by CMHIT under the 2021 CMPG IT Services Framework Agreement for the year ending 31 December 2021 at RMB110,000,000 (equivalent to approximately HK$130,950,000). Since CMPG is a substantial shareholder of the Company, CMPG is a connected person of the Company. In addition, as at 30 March 2020, CMHIT was held by the Company and CMPG as to 76.84% and 23.16%, respectively. Accordingly, CMHIT was a connected subsidiary of the Company under the Listing Rules. However, upon the completion of the Equity Subscription and Capital Injection Agreement, CMHIT has ceased to be a subsidiary of the Company since 9 February 2021.

(x) On 9 August 2019, Shenzhen Jinyu Rongtai Investment Development Company Limited (深圳金域融泰投資發展有限公司) ("**Shenzhen Jinyu**"), an indirect wholly-owned subsidiary of the Company, and SCMPI entered into a property services agreement (the "**2019 Property Services Agreement**") for a term of three years commenced on 1 July 2019 and ending on 30 June 2022. Pursuant to the 2019 Property Services Agreement, Shenzhen Jinyu engages SCMPI to provide lease management and operational management services in relation to a property located in Nanhai Yikumeng Industrial Building located in the Guangdong Province (the "**Target Property**"). Shenzhen Jinyu agrees to pay to SCMPI (i) a management fee of 6% of any operational income actually received by Shenzhen Jinyu (including but not limited to rental fees received from the rental of advertisement space and venue space at the Target Property); (ii) a commission fee of 6% of any annual income received by Shenzhen Jinyu from the rental of car parks at the Target Property; and (iii) any expense (including human resources costs) incurred by SCMPI under the 2019 Property Management Services Agreement. The Directors resolved to set the annual caps in respect of the fees payable to SCMPI under the 2019 Property Management Services Agreement for the six months ended 31 December 2019, the year ended 31 December 2020 and the year ending 31 December 2021 as RMB4,400,000 (equivalent to approximately HK$5,000,000), RMB9,200,000 (equivalent to approximately HK$10,500,000), and RMB9,600,000 (equivalent to approximately HK$10,900,000), respectively. The amount of service fees paid and payable by the Group to SCMPI in connection with the service period in the year ended 31 December 2020 was RMB6,600,000 (equivalent to approximately HK$7,400,000). SCMPI is an indirect wholly-owned subsidiary of CMG, and accordingly, a connected person of the Company.

(xi) On 7 July 2020, Haixing and CMHIT entered into a supplemental framework agreement to the IT system development agreement dated 19 March 2019 in relation to the development of the Haixing IT System for Haixing (the "**Supplemental Framework Agreement**"). According to the Haixing IT System Development Agreement, there are 28 deliverables to be completed by CMHIT and the total consideration payable by Haixing to CMHIT under the Haixing IT System Development Agreement was RMB109,893,231.40 (equivalent to approximately HK$120,761,792.75). As of 31 December 2019, approximately RMB23,000,000 of the total consideration has been paid by Haixing to CMHIT in accordance with the existing payment terms of the Haixing IT System Development Agreement. It is contemplated by the parties that with the ongoing redevelopment of the Haixing Smart Port (which the Haixing IT System forms part), it is anticipated that there will be further adjustments to the work scope. On 7 July 2020, Haixing and CMHIT entered into the Supplemental Framework Agreement, pursuant to which, Haixing and CMHIT may enter into separate agreements to amend the scope of work to be completed and the consideration payable by Haixing to CMHIT for the additional work and equipment required from CMHIT. On the same day, the Directors resolved to set the annual cap in respect of the consideration payable by Haixing to CMHIT under the Haixing IT System Development Agreement, as amended by the Supplemental Framework Agreement at RMB94,200,000 (equivalent to approximately HK$103,516,483.52) and RMB3,600,000 (equivalent to approximately HK$3,956,043.96) for the year ended on 31 December 2020 and 2021, respectively. The amount of service fees paid and payable by the Group to CMHIT in connection with the Haixing IT System Development Agreement in the year ended 31 December 2020 was RMB47,200,000 (equivalent to approximately HK$53,100,000). As at the date of the transaction, CMHIT was held by the Company and CMPG as to 76.84% and 23.16%, respectively. Since CMPG is a substantial shareholder of the Company, CMPG is a connected person of the Company, and accordingly, CMHIT was a connected subsidiary of the Company as at the date of the transaction. However, upon the completion of the Equity Subscription and Capital Injection Agreement, CMHIT has ceased to be a subsidiary of the Company since 9 February 2021.

(g) The Independent Non-executive Directors have reviewed the continuing connected transactions set out in paragraph (f) 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 to the leasing of an office space in Qianhai Shenzhen under the CMPG Tenancy Agreement, details of which are set out in note (i) to paragraph (f) of this section, the aggregate rental fees for the year ended 31 December 2020 have not exceeded RMB9,460,000, the annual cap for the year ended 31 December 2020;

(ii) in respect of the provision of ship berthing services by Yiu Lian to CMCS, details of which are set out in note (ii) to paragraph (f) of this section, the aggregate ship berthing service fees paid has not exceed HK$14,500,000, the annual cap for the year ended 31 December 2020;

(iii) in respect of the receipt of agency services from, and provision of port-related services to, members of the Sinotrans & CSC group, details of which are set out in note (iii) to paragraph (f) of this section, the aggregate service fees received for the year ended 31 December 2020 have not exceeded RMB65,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2020 and the aggregate agency fees paid for the year ended 31 December 2020 have not exceeded RMB10,400,000, the aggregate annual cap for the agency fees for the year ended 31 December 2020;

(iv) in respect of the receipt of port and freight forwarding services from and the provision of port and port-related services to, the CMPG Group, details of which are set out in note (iv) to paragraph (f) of this section, the aggregate service fees for the provision of port and port-related services receivable by the Group from CMPG Group for the year ended 31 December 2020 have not exceeded RMB24,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2020 and the aggregate service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ended 31 December 2020 have not exceeded RMB20,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2020;

(v) as the 2019 Comprehensive Services Framework Agreement and 2020 CMPG Services Framework Agreement are of similar nature or otherwise connected, the port and port-related services provided by the Group to (i) Sinotrans & CSC and its associates and (ii) CMPG Group will be aggregated and treated as if they were one transaction. Similarly, the port-related agency service provided by (i) Sinotrans & CSC and (ii) CMPG Group and its associates to the Group will be aggregated and treated as if they were one transaction. In respect of the receipt of port and port-related service fees from and the provision of port-related agency service fees to, the CMG Group, details of which are set out in note (v) to paragraph (f) of this section, the aggregate amount of port and port-related service fees receivable by the Group and its associates from the CMG Group and it associates for the year ended 31 December 2020 have not exceeded RMB89,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2020 and the aggregate port-related agency service fees payable by the Group and its associates to the CMG Group and its associates for the year ended 31 December 2020 have not exceeded RMB30,400,000, the aggregate annual cap for the services fees for the year ended 31 December 2020;

(vi) in respect of the placing of deposits with China Merchants Finance, details of which are set out in note (vi) to paragraph (f) of this section, the maximum amount of deposit that was made by the Group with China Merchants Finance during the year ended 31 December 2020 did not exceed HK$2,100,000,000, the relevant cap for the year ended 31 December 2020; in respect of the aggregate fees payable by the Group for the provision of clearing and settlement services, the provision of foreign exchange clearance and settlement services and the provision of other financial services, details of which are set out in note (vi) to paragraph (f) of this section, the aggregate fees paid by the Group for the year ended 31 December 2020 did not exceed HK$10,000,000, HK$10,000,000 and HK$10,000,000, respectively, the relevant caps as for the year ended 31 December 2020;

(vii) in respect of the provision of proxy services by Sinotrans Air, details of which are set out in note (vii) to paragraph (f) of this section, the aggregate management fee paid under the 2020 Freight Operation Proxy Services Agreement for the year ended 31 December 2020 did not exceed EUR4,000,000, the annual cap for the service fees for the year ended 31 December 2020;

(viii) in respect of the technology consulting services provided by CMHIT, details of which are set out in note (viii) to paragraph (f) of this section, the amount of service fees paid by the Group to CMHIT for the year ended 31 December 2020 did not exceed RMB180,000,000, the annual cap for service fees as revised for the year ended 31 December 2020;

(ix) in respect of the information services provided by CMHIT to the CMPG Subsidiaries, details of which are set out in note (ix) to paragraph (f) of this section, the amount of service fees received by the Group from certain subsidiaries of CMPG for the year ended 31 December 2020 did not exceed RMB106,485,900, the annual cap for service fees for the year ended 31 December 2020; in respect of the technology consulting services provided by CMHIT to Shekou Container Terminal, details of which are set out in note (ix) to paragraph (f) of this section, the amount of service fees paid by the Group to CMHIT for the year ended 31 December 2020 did not exceed RMB85,549,100, the annual cap for service fees for the year ended 31 December 2020;

(x) in respect of the property management services provided by SCMPI, details of which are set out in note (x) to paragraph (f) of this section, the amount of service fees paid by the Group to SCMPI for the service period in the year ended 31 December 2020 did not exceed RMB9,200,000, the annual cap for the service fees for the year ended 31 December 2020; and

(xi) in respect of the services provided by CMHIT to Haixing in relation to the Haixing IT System Development Agreement, details of which are set out in note (xi) to paragraph (f) of this section, the amount of service fees paid by the Group to CMHIT for the year ended 31 December 2020 did not exceed RMB94,200,000, the annual cap for service fees for the year ended 31 December 2020.

The Company has followed the pricing terms and policies set out in respect of each of the continuing connected transaction listed in paragraph (f) of this section. Save as disclosed above and in the section headed "Related Party Transactions" in note 41 to the consolidated financial statements, there are no other contract, of significance between the Company or any of its subsidiaries, and controlling shareholders or any of its subsidiaries submitted, at the end of the year or at any time during the year.

The Company confirms save and except for those connected transactions or continuing connected transactions under the Listing Rules set out in this section headed "Connected Transactions" of the Report of the Directors, the other transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. The connected transactions and continuing connected transactions as disclosed in this section headed "Connected Transactions" of the Report of the Directors have complied with the requirements of Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in paragraph (f) of this section in pages 107 to 111 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of sales and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total sales and purchases in 2020, respectively. The Group has strived to maintain a good relationship with its major customers and suppliers.

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

EMPLOYEES

The Group's key relationships with its employees are set out in the "Management Discussion and Analysis" on pages 14 to 30 of this Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under Rule 8.08 of the Listing Rules.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who would retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

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

On behalf of the Board
Deng Renjie
Chairman
Hong Kong, 30 March 2021

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 121 to 249, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Accounting for the Group's interests in associates	
We identified the accounting for the Group's interests in associates as a key audit matter due to the significance of these investments to the Group's consolidated financial statements as a whole. The Group invested in a number of associates whose principal activities include ports and other relevant operations as set out in note 43 to the consolidated financial statements. The Group's share of profits less losses of its associates for the year ended 31 December 2020 was HK$4,117 million, representing approximately 68% 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$67,426 million as at 31 December 2020, representing approximately 59% 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 their financial information 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 respective 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 of the associates on their findings from the execution of their planned work procedures and the conclusion from their completion of audit; • 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; and • Assessing the sufficiency and appropriateness of audit evidence obtained from work performed by auditor of an individually material associate of the Group by reviewing its audit documentation where we considered necessary.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill attributable to ports operation	
We identified the impairment assessment of goodwill attributable to the Group's ports operation as a key audit matter due to the involvement of significant management judgement and assumptions in this assessment. As disclosed in note 16(b) to the consolidated financial statements, the carrying amount of goodwill attributable to the Group's ports operation amounted to HK$5,759 million as at 31 December 2020. For the purpose of assessing impairment, the recoverable amounts of the cash-generating units including goodwill have been determined by the management of the Group based on value in use calculations using financial budgets based on past performance and expectation for market development, where the key input parameters include growth rates and discount rates. Based on the management's assessment, an impairment loss of goodwill attributable to ports operation in Mainland China amounted to HK$621 million is recognised for the year ended 31 December 2020. There is no impairment of goodwill attributable to other Group's ports operation as at 31 December 2020 based on the calculations of value in use.	Our procedures in relation to the impairment assessment of goodwill of the Group's ports operation included: • Understanding the Group's impairment testing process, assumptions used and the extent of involvement of 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 and the latest budgets of the Group and 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 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 each cash-generating unit of the Group's ports operation prepared by the management; and • Evaluating the disclosure of the impairment assessment of goodwill attributable to 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 Yu Kin Man.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	2020 HK$'million	2019 HK$'million
Revenue	5	**8,945**	8,898
Cost of sales		**(5,201)**	(5,182)
Gross profit		**3,744**	3,716
Other income and other gains, net	8	**1,852**	6,948
Administrative expenses		**(1,371)**	(1,421)
Finance income	12	**298**	214
Finance costs	12	**(1,822)**	(1,996)
Finance costs, net	12	**(1,524)**	(1,782)
Share of profits less losses of			
Associates		**4,117**	3,764
Joint ventures		**340**	531
		4,457	4,295
Profit before taxation		**7,158**	11,756
Taxation	13	**(1,077)**	(2,518)
Profit for the year	7	**6,081**	9,238
Attributable to:			
Equity holders of the Company		**5,151**	8,362
Owners of perpetual capital securities		**52**	—
Non-controlling interests		**878**	876
Profit for the year		**6,081**	9,238
Dividends	14	**2,516**	2,752
Earnings per share for profit attributable to equity holders of the Company	15		
Basic (HK cents)		**146.25**	247.84

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK$'million	2019 HK$'million
Profit for the year		6,081	9,238
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		4,407	(3,402)
Release of reserves upon obtaining control of a non-wholly owned subsidiary	39	(87)	—
Share of other reserve of a joint venture		6	(26)
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial gain/(loss) on defined benefit plans of subsidiaries		29	(3)
Share of other reserves of associates		6	47
Share of net actuarial loss on defined benefit plans of associates		(35)	(30)
Total other comprehensive income/(expense) for the year, net of tax		4,326	(3,414)
Total comprehensive income for the year		10,407	5,824
Total comprehensive income attributable to:			
Equity holders of the Company		8,992	5,248
Owners of perpetual capital securities		52	—
Non-controlling interests		1,363	576
		10,407	5,824

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK$'million	2019 HK$'million
ASSETS			
Non-current assets			
Goodwill	16	5,759	6,931
Intangible assets	16	9,369	10,244
Property, plant and equipment	17	26,509	23,870
Right-of-use assets	18	16,553	15,435
Investment properties	19	8,918	8,246
Interests in associates	21	67,426	58,052
Interests in joint ventures	22	9,091	9,648
Other financial assets	23	7,258	2,668
Other non-current assets	24	1,305	1,218
Deferred tax assets	36	420	260
		152,608	136,572
Current assets			
Inventories	25	179	125
Other financial assets	23	81	905
Debtors, deposits and prepayments	26	5,493	3,435
Taxation recoverable		8	35
Cash and bank balances	27	11,290	7,800
		17,051	12,300
Non-current assets held for sale	28	405	210
		17,456	12,510
Total assets		170,064	149,082

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK$'million	2019 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**42,521**	40,614
Reserves		**43,501**	37,169
Proposed dividend	14	**1,867**	2,000
		87,889	79,783
Perpetual capital securities	30	**6,237**	—
Non-controlling interests		**19,509**	14,351
Total equity		**113,635**	94,134
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	33	**30,240**	29,419
Lease liabilities	34	**886**	918
Other non-current liabilities	35	**5,229**	5,421
Deferred tax liabilities	36	**4,482**	3,668
		40,837	39,426
Current liabilities			
Creditors and accruals	37	**4,152**	4,707
Bank and other borrowings	33	**8,952**	8,995
Lease liabilities	34	**76**	84
Taxation payable		**2,412**	1,736
		15,592	15,522
Total liabilities		**56,429**	54,948
Total equity and liabilities		**170,064**	149,082
Net current assets/(liabilities)		**1,864**	(3,012)
Total assets less current liabilities		**154,472**	133,560

The consolidated financial statements on pages 121 to 249 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Bai Jingtao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 32)	Retained earnings HK$'million	Total HK$'million	HK$'million (note 30)	HK$'million	HK$'million
As at 1 January 2020		40,614	1,017	38,152	79,783	—	14,351	94,134
COMPREHENSIVE INCOME								
Profit for the year		—	—	5,151	5,151	52	878	6,081
Other comprehensive income/(expense)								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	3,934	—	3,934	—	473	4,407
Release of reserves upon obtaining control of a non-wholly owned subsidiary	39	—	(87)	—	(87)	—	—	(87)
Share of other reserves of associates and a joint venture		—	12	—	12	—	—	12
Net actuarial gain on defined benefit plans of subsidiaries		—	—	17	17	—	12	29
Share of net actuarial loss on defined benefit plans of associates		—	—	(35)	(35)	—	—	(35)
Total other comprehensive income/(expense) for the year, net of tax		—	3,859	(18)	3,841	—	485	4,326
Total comprehensive income for the year		—	3,859	5,133	8,992	52	1,363	10,407
TRANSACTIONS WITH OWNERS								
Issue of shares in lieu of dividends	29	1,907	—	—	1,907	—	—	1,907
Issue of perpetual capital securities	30	—	—	—	—	6,185	—	6,185
Transfer to reserves		—	348	(348)	—	—	—	—
Acquisition of additional interests in subsidiaries	20(b)	—	(588)	(3)	(591)	—	591	—
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	20(c)	—	296	77	373	—	1,704	2,077
Obtaining control of a non-wholly owned subsidiary	39	—	(84)	84	—	—	2,171	2,171
Contribution from immediate holding company		—	17	—	17	—	—	17
Share of other changes in equity attributable to equity holders of associates		—	57	—	57	—	—	57
Dividends	45	—	—	(2,649)	(2,649)	—	(671)	(3,320)
Total transactions with owners for the year		1,907	46	(2,839)	(886)	6,185	3,795	9,094
As at 31 December 2020		42,521	4,922	40,446	87,889	6,237	19,509	113,635

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 32)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 31 December 2018 (audited)		39,070	2,968	33,283	75,321	12,683	88,004
Adjustments upon application of HKFRS 16		—	—	(118)	(118)	(19)	(137)
As at 1 January 2019 (adjusted)		39,070	2,968	33,165	75,203	12,664	87,867
COMPREHENSIVE INCOME							
Profit for the year		—	—	8,362	8,362	876	9,238
Other comprehensive (expense)/income							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	(3,103)	—	(3,103)	(299)	(3,402)
Release of the fair value of equity instruments at fair value through other comprehensive income ("FVTOCI"), net of deferred taxation		—	(5)	5	—	—	—
Share of other reserves of associates and a joint venture		—	21	—	21	—	21
Net actuarial loss on defined benefit plans of subsidiaries		—	—	(2)	(2)	(1)	(3)
Share of net actuarial loss on defined benefit plans of associates		—	—	(30)	(30)	—	(30)
Total other comprehensive expense for the year, net of tax		—	(3,087)	(27)	(3,114)	(300)	(3,414)
Total comprehensive (expense)/income for the year		—	(3,087)	8,335	5,248	576	5,824
TRANSACTIONS WITH OWNERS							
Issue of shares in lieu of dividends	29	1,544	—	—	1,544	—	1,544
Transfer to reserves		—	207	(207)	—	—	—
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	20(d)	—	572	42	614	1,330	1,944
Share of other changes in equity attributable to equity holders of associates		—	329	—	329	—	329
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	(2)	(2)
Capital contribution to a subsidiary		—	—	—	—	31	31
Dividends	45	—	—	(3,183)	(3,183)	(269)	(3,452)
Contribution from a non-controlling equity holder of a subsidiary		—	28	—	28	21	49
Total transactions with owners for the year		1,544	1,136	(3,348)	(668)	1,111	443
As at 31 December 2019		40,614	1,017	38,152	79,783	14,351	94,134

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'million	2019 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	38(a)	4,536	4,954
Hong Kong Profits Tax paid		(5)	(3)
PRC corporate income tax paid		(313)	(331)
Overseas Profits Tax paid		(4)	(78)
Withholding tax paid on dividends received		(154)	(211)
Dividends received from associates and joint ventures		1,762	1,979
Net cash generated from operating activities		5,822	6,310
Cash flows used in investing activities			
Proceeds from disposal of property, plant and equipment		25	82
Compensation for resumption of land parcels at Qianhai received		—	6,457
Compensation for resumption of land parcels at Shantou received		180	516
Repayment from an associate		37	—
Proceeds from an associate		209	—
Interest income received		252	217
Investments in associates and joint ventures		(4)	(8,905)
Investment in financial assets at fair value through profit or loss ("FVTPL")		—	(49)
Purchase of property, plant and equipment and port operating rights		(1,789)	(2,677)
Acquisition of right-of-use assets		—	(217)
Capital contribution to an associate	21	(3,055)	—
Loans to associates	21	(3,303)	—
Payments relating to disposal of subsidiaries in prior year		—	(78)
Cash and bank balances acquired through obtaining control of a non-wholly owned subsidiary	39	367	—
Placement of other deposits		(5,138)	(1,575)
Proceeds from withdrawal of other deposits		5,951	2,642
Repayment from a related party		—	1,177
Proceeds from share reduction in registered capital of an associate		105	—
Net cash used in investing activities		(6,163)	(2,410)
Net cash (outflow)/inflow before financing activities carried forward		(341)	3,900

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'million	2019 HK$'million
Net cash (outflow)/inflow before financing activities brought forward		(341)	3,900
Cash flows from/(used in) financing activities			
Proceeds from bank loans		18,976	7,052
Net proceeds on issue of perpetual capital securities	30	6,185	—
Loans from fellow subsidiaries		224	903
Loan from immediate holding company		491	1,032
Capital contributions from non-controlling equity holders of subsidiaries		—	31
Dividends paid to ordinary shareholders		(742)	(1,639)
Dividends paid to non-controlling equity holders of subsidiaries		(687)	(213)
Interests paid		(1,782)	(1,998)
Repayment of bank loans		(17,019)	(7,042)
Repayment of notes payable		(1,551)	(617)
Repayment of loan from immediate holding company		—	(661)
Repayment of loans from fellow subsidiaries		(828)	(490)
Repayment of loan from an associate		—	(276)
Repayment of lease liabilities		(134)	(116)
Repayment of capital contribution to a non-controlling equity holder		—	(2)
Acquisition of additional interests in subsidiaries	20(b)	(835)	—
Proceeds from disposal of partial interests in subsidiaries	20(c) & (d)	2,077	1,944
Net cash from/(used in) financing activities		4,375	(2,092)
Increase in cash and cash equivalents		4,034	1,808
Cash and cash equivalents at 1 January		6,939	5,238
Effect of foreign exchange rate changes		244	(107)
Cash and cash equivalents at 31 December, represented by cash and bank balances		11,217	6,939

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020, China Merchants Port Group Co., Ltd. ("CMPG", a company established in the People's Republic of China ("PRC") and whose shares are listed on the Shenzhen Stock Exchange. CMPG, together with its subsidiaries, the "CMPG Group") directly held 41.85% of the total issued share capital of the Company. Pursuant to an entrustment agreement with China Merchants Holdings (Hong Kong) Company Limited ("CMHK", a company incorporated in Hong Kong and an indirect subsidiary of China Merchants Group Limited ("CMG")) (the "Acting in Concert Agreement"), CMPG has the power to direct the voting right over approximately 22.36% 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 64.21% 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 40.90% 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 64.94% 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied below are the same as the accounting policies of the Group's reportable segments. These policies have been consistently applied to all the years presented, unless otherwise stated.

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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of investment properties, financial assets at FVTPL, equity instruments at FVTOCI and financial liabilities at FVTPL which are carried at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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 4.

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

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(ii) New and amendments to HKFRSs in issue but are not yet effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group

		Effective for annual periods beginning on or after (Note (a))
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note (b)
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020	1 January 2022

Notes:

(a) Early application permitted for these new standards or amendments to existing standards.

(b) Effective for annual periods beginning on or after a date to be determined.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

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

(i) Subsidiaries

Control is achieved when the Company:

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

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

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

Non-controlling interests represent the portion of the net assets of the relevant subsidiaries attributable to interests that are not owned by the Company upon liquidation, whether directly or indirectly and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

(a) Business combinations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed are initially recognised at their fair values, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" ("HKAS 12") and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition-related costs are expensed as incurred.

When a business combination is achieved in stages, the acquirer's previously held interest in the acquiree is remeasured to fair value at the latest acquisition date and the resulting gain or loss, if any, is recognised in the profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed as at acquisition date. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of profit or loss as a bargain purchase gain after reassessment of all identifiable assets and liabilities.

(b) Asset acquisition

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

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(d) Changes in ownership interests in existing subsidiaries without change of control

Transactions with non-controlling interests that do not result in change of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interest's proportional interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(e) Disposal of subsidiaries or cash-generating units ("CGU")

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or a financial asset. Difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company is recognised in the consolidated statement of profit or loss. In addition, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss, or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

(ii) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating party has unilateral control over the economic activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(ii) Associates and joint ventures (continued)

The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. For associates and joint ventures using accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments have been made to conform the accounting policies of the associates and/or the joint ventures to those of the Group. Under the equity method, an investment is initially recognised at cost from the date on which the investee becomes an associate or a joint venture, and the carrying amount is increased or decreased to adjust for the post-acquisition changes in the investor's share of the net assets of the investee after the date of acquisition. The Group's interests in associates and joint ventures include goodwill identified on acquisition.

The Group's share of profits or losses of associates and joint ventures is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in that associate or joint venture, including any long-term interests that in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its shares of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(ii) Associates and joint ventures (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retain an interest of the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to the consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

If the ownership interest in an associate or a joint venture is reduced but the Group continues to use the equity method, the difference between the carrying amount of the underlying assets and liabilities attributable to the interests disposed of and the consideration received, if any, is credited or charged to the profit or loss as gain/loss on disposal of interest in associates and/or joint ventures. In addition, the proportionate share of the amounts relating to that reduction in ownership interest previously recognised in other comprehensive income is reclassified to profit or loss if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's 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, net".

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

(iii) Group companies

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(iv) Disposal and partial disposal of foreign operation

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

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

2.5 Property, plant and equipment

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

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

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land and depreciation of other assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Shorter of remaining lease term of 50 years or useful life
Buildings	Shorter of the lease term or 50 years
Harbour works, buildings and dockyard	8 to 40 years
Plant and machinery	3 to 20 years
Furniture and equipment	3 to 20 years
Vessels and ships	15 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.

No depreciation is provided on assets under construction. All direct costs relating to the construction of property, plant and equipment including interests and finance costs and foreign exchange differences of the related borrowed funds up to the extent that they are regarded as an adjustment to interest costs during the construction period are capitalised as the cost of the property, plant and equipment.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains, net" in the consolidated statement of profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payment) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 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 subsidiaries represents the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 and debt instruments/receivables subsequently measured at FVTOCI. 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, net" line item in the consolidated statement of profit or loss.

Financial assets at FVTPL

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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' 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, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

- Nature of financial instruments (i.e. the Group's trade debtors are assessed as a separate group. Amounts due from/advances to fellow subsidiaries/associates/joint ventures/a related party 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

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

2.13 Debtors

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

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 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 or options 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities and equity (continued)

Other financial liabilities at amortised cost

Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

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

Derecognition 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs (continued)

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.

(ii) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. However, deferred tax are not recognised if they arise from the initial recognition of goodwill, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the asset is realised or the liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the economic benefits embodied in the properties will be recovered).

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(i) Pension obligations

Group companies operate various pension schemes contribution. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

Defined benefit costs are categorised as follows:

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

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

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

(ii) Other post-employment obligations

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

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

(iii) Termination obligations

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

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 the class of 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 Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

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.

2.22 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(ii) The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of plant, machinery, furniture and equipment, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(ii) The Group as a lessee (continued)

Right-of-use assets (continued)

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(ii) The Group as a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(iii) The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

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

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are authorised by the Company's shareholders.

Dividends proposed before the consolidated financial statements were authorised for issue but not yet authorised by the Company's shareholders during the period is presented separately as proposed dividend under equity.

2.24 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

2.25 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale. When a sale plan involves disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties, which continue to be measured in accordance with the accounting policies as set out in respective sections.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

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 2020, 59% (2019: 59%) of the Group's borrowings are denominated in United States dollar, 24% (2019: 23%) are denominated in Renminbi, 4% (2019: 5%) are denominated in Euro, 3% (2019: 5%) are denominated in Brazilian Real and 10% (2019: 8%) are denominated in Hong Kong dollar. Majority of the Group's operating subsidiaries draw loans in their functional currencies to finance their funding requirements and no significant foreign exchange risk is expected to arise from these borrowings. The Group also utilised its United States dollar and Renminbi denominated notes payable to finance its capital investments and working capital.

At 31 December 2020, if Renminbi had strengthened/weakened against the other currencies by 3% (2019: 3%) with all other variables held constant, profit for the year would have been approximately HK$91 million lower/higher (2019: HK$100 million lower/higher) mainly as a result of decrease/increase (2019: decrease/increase) in net foreign exchange gains on translation of cash and cash equivalents, debtors, creditors and bank and other borrowings denominated in non-functional currencies of the relevant group companies.

At 31 December 2020, if United States dollar had strengthened/weakened against the other currencies by 0.5% (2019: 0.5%) with all other variables held constant, profit for the year would have been approximately HK$129 million lower/higher (2019: HK$98 million lower/higher) mainly as a result of decrease/increase (2019: decrease/increase) in net foreign exchange gains on translation of cash and cash equivalents, debtors, creditors and bank and other borrowings denominated in non-functional currencies of the relevant group companies.

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group that are classified on the consolidated statement of financial position as financial assets at FVTPL and equity instruments at FVTOCI. At 31 December 2020, if there had been a 10% (2019: 10%) increase/decrease in the prices of the respective equity instruments with all other variables held constant, (i) profit for the year ended 31 December 2020 would increase/decrease by HK$296 million (2019: HK$265 million) as a result of the changes in fair value of the financial assets at FVTPL and (ii) other comprehensive income, net of deferred tax, for the year ended 31 December 2020 would increase/decrease by HK$3 million (2019: HK$1 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

(c) Fair value interest rate risk and cash flow interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. Financial assets and financial liabilities issued at variable rates expose the Group to cash flow interest rate risk whilst borrowings issued and lease liabilities at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the year.

Other than advances to associates and a joint venture and bank deposits as at 31 December 2020, 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 2020, if interest rates on borrowings had been 100 basis points (2019: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been HK$143 million (2019: HK$123 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk and impairment assessment

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. As at 31 December 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 40(d).

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

The Group accounts for its credit risk on other debtors 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.

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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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	2020 Gross carrying amount HK$'million	2020 Gross carrying amount HK$'million	2019 Gross carrying amount HK$'million	2019 Gross carrying amount HK$'million
Financial assets at amortised cost								
Trade debtors (Note (a))	26	N/A	A	Lifetime ECL (not credit-impaired)	583		442	
			B	Lifetime ECL (not credit-impaired)	367		397	
			C	Lifetime ECL (not credit-impaired)	59		75	
			D	Lifetime ECL (credit-impaired)	67	1,076	89	1,003
Amounts due from fellow subsidiaries (Note (b))	26	N/A	B	12m ECL	15	15	10	10
Amount due from immediate holding company (Note (b))	26	N/A	B	12m ECL	2	2	—	—
Amounts due from associates (Note (b))	26	N/A	B	12m ECL	98	98	134	134
Advances to associates (Note (b))	23	N/A	B	12m ECL	3,365	3,365	11	11
Amounts due from joint ventures (Note (b))	26	N/A	B	12m ECL	1	1	2	2
Advance to a joint venture (Note (b))	23	N/A	B	12m ECL	988	988	905	905

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK$'million		2019 Gross carrying amount HK$'million	
					HK$'million	HK$'million	HK$'million	HK$'million
Dividend receivables (Note (b))	26	N/A	A	12m ECL	290	290	498	498
Other debtors (Note (b))	26	N/A	B	12m ECL	3,702		1,761	
			D	Lifetime ECL (credit-impaired)	857	4,559*	38	1,799*
Cash and bank balances (Note (b))	27	A1 to Ba2	N/A	12m ECL	11,290	11,290	7,800	7,800
Other item								
Financial guarantee contracts (Note (c))	40(d)	N/A	A	12m ECL	307	307	314	314

* The gross carrying amounts disclosed above include the relevant interest receivables which are also included in note 26.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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
2020			
Amounts due from fellow subsidiaries	—	**15**	**15**
Amounts due from immediate holding company	—	**2**	**2**
Amounts due from associates	—	**98**	**98**
Advances to associates	—	**3,365**	**3,365**
Amounts due from joint ventures	—	**1**	**1**
Advance to a joint venture	—	**988**	**988**
Dividend receivables	—	**290**	**290**
Other debtors	**857**	**3,702**	**4,559**
Cash and bank balances	—	**11,290**	**11,290**
2019			
Amounts due from fellow subsidiaries	—	10	10
Amounts due from associates	—	134	134
Advance to an associate	—	11	11
Amounts due from joint ventures	—	2	2
Advance to a joint venture	—	905	905
Dividend receivables	—	498	498
Other debtors	38	1,761	1,799
Cash and bank balances	—	7,800	7,800

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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	
	2020	2019
A	**0.06%**	0.01%
B	**0.21%**	0.08%
C	**2.36%**	1.57%
D	**81.86%**	93.82%

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 2019	4	45	49
Impairment losses recognised	1	38	39
Impairment losses reversed	(1)	—	(1)
Exchange adjustments	—	(2)	(2)
As at 31 December 2019	**4**	**81**	**85**
Impairment losses recognised	—	**12**	**12**
Impairment losses reversed	**(1)**	**(37)**	**(38)**
Written-off	—	**(4)**	**(4)**
Exchange adjustments	—	**3**	**3**
As at 31 December 2020	**3**	**55**	**58**

The Group makes full provision for a trade debtor when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade debtors are over three years past due, whichever occurs earlier.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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 2019	39
Exchange adjustments	(1)
As at 31 December 2019	**38**
Impairment loss recognised	**536**
Exchange adjustments	**44**
As at 31 December 2020	**618**

The Group makes provision for other debtors when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the other debtors are over three years past due, or in dispute whichever occurs earlier.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$307 million as at 31 December 2020 (2019: HK$314 million). As at 31 December 2020 and 2019, 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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 and the Company'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 33(f)) and cash and bank balances (note 27) 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.

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	
	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million
Interest-bearing debts	10,394	10,557	9,501	3,602	17,292	19,432	7,063	11,093	44,250	44,684
Other financial liabilities included in creditors and accruals	3,337	3,099	–	–	–	–	–	–	3,337	3,099
	13,731	13,656	9,501	3,602	17,292	19,432	7,063	11,093	47,587	47,783
Lease liabilities	125	133	54	83	158	153	1,485	1,546	1,822	1,915

In addition to the above, a put option granted by the Group to the non-controlling equity holders of subsidiaries and Put Option Liability (as set out in note 37) arising from it amounting to HK$818 million as at 31 December 2019 were exercised in February 2020 and paid during the year respectively. Further details are set out in note 20(b).

3.2 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

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 2020 and 2019 were as follows:

	2020 HK$'million	2019 HK$'million
Total interest-bearing debts and lease liabilities (notes 33 and 34)	**40,154**	39,416
Less: cash and bank balances (note 27)	**(11,290)**	(7,800)
Net interest-bearing debts and lease liabilities	**28,864**	31,616
Net gearing ratio:		
Net interest-bearing debts and lease liabilities divided by total equity	**25.4%**	33.6%

3.3 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).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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.

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

The following tables present the Group's financial instruments that are measured at fair value at 31 December 2020 and 2019:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
At 31 December 2020				
Financial assets				
Financial assets at FVTPL	**2,952**	—	**3**	**2,955**
Equity instruments at FVTOCI	—	—	**31**	**31**
	2,952	—	**34**	**2,986**
Financial liabilities				
Financial liabilities at FVTPL	—	—	**(3,432)**	**(3,432)**
At 31 December 2019				
Financial assets				
Financial assets at FVTPL	1,957	688	3	2,648
Equity instruments at FVTOCI	—	—	9	9
	1,957	688	12	2,657
Financial liabilities				
Financial liabilities at FVTPL	—	—	(4,532)	(4,532)

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

The unlisted equity instruments of a listed entity were transferred from level 3 to level 2 as the equity instruments have been listed during the prior year, and the shares held by the Group are restricted for sale upon listing and as at 31 December 2019.

The listed equity instruments of the listed entity were transferred from level 2 to level 1 as the restriction for sale of equity instruments have been released during the year ended 31 December 2020.

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 2020, if any of the significant unobservable input above was 5% (2019: 5%) higher/lower while all the other variables were held constant, the change in fair value of these unlisted equity instruments would be insignificant (2019: insignificant).

The fair value of the liabilities arising from the concession arrangements (see note 35) that are accounted for as financial liabilities at FVTPL is valued at the present value of the expected future economic benefits that will flow out of the Group arising from such obligation by using discounted cash flow method. The significant unobservable inputs are the factor of inflation and probability-adjusted business volume. As at 31 December 2020, if factor of inflation was 5% (2019: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the liabilities arising from the concession arrangements would be HK$165 million (2019: HK$95 million). As at 31 December 2020, if the probability-adjusted business volume was 5% (2019: 5%) higher/lower while all the other variables were held constant, the increase/decrease in fair value of the liabilities arising from the concession arrangements would be HK$132 million (2019: HK$143 million).

The fair value of the Put Option Liability as at 31 December 2019 (as defined in note 37) that is accounted for as a financial liability at FVTPL is valued using Black-Scholes option model and the significant unobservable inputs used in the fair value measurement are the exercise price, the risk-free rate, the expected dividend yield, the expected volatility and the time-to-maturity. As at 31 December 2019, if the exercise price was 5% higher/lower while all the other variables was held constant, the increase/decrease in fair value of the put option would be insignificant. As at 31 December 2019, if any of the significant unobservable inputs, other than the exercise price, was 5% higher/lower while all the other variables were held constant, the change in fair value of the put option would be insignificant.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

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

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 2019:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million	Financial liabilities at FVTPL HK$'million
Year ended 31 December 2020			
As at 1 January 2020	**3**	**9**	**(4,532)**
Obtaining control of a non-wholly owned subsidiary (note 39)	—	**21**	—
Additions	—	—	—
Disposal	—	—	—
Exchange adjustments	—	**1**	**935**
Settlement	—	—	**930**
Unrealised fair value loss recognised in profit or loss	—	—	**(765)**
As at 31 December 2020	**3**	**31**	**(3,432)**
Year ended 31 December 2019			
As at 1 January 2019	612	110	(4,383)
Transfer to interest in associates	(282)	(102)	—
Transfer to level 2	(469)	—	—
Additions	49	—	—
Written off	(2)	—	—
Exchange adjustments	(2)	—	163
Settlement	—	—	102
Unrealised fair value gain/(loss) recognised in profit or loss	97	—	(414)
Unrealised fair value gain recognised in other comprehensive income (included in other reserves)	—	1	—
As at 31 December 2019	3	9	(4,532)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(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 listed and unlisted notes stated in note 33, 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.

4. 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.

4.1 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. Furthermore, the estimated cash flows and discount rates are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations. Details of the impairment loss calculation are set out in note 16(b).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see above), 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 of the relevant entities. Based on the contractual power pursuant to the relevant shareholders' agreements between the Group and the other shareholders, the Group has voting rights in the respective investees sufficient to give it the practical ability to direct the relevant activities of each of these investees unilaterally, and hence has control over these investees. Accordingly, those entities are accounted for as subsidiaries of the Company. Further details are set out in notes 39 and 42.

5. 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.

	2020 HK$'million	2019 HK$'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	**8,304**	8,243
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	**469**	467
Revenue from contracts with customers	**8,773**	8,710
Gross rental income that are fixed from investment properties (Note)	**172**	188
	8,945	8,898

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$54 million (2019: HK$56 million) during the year ended 31 December 2020.

5. REVENUE (CONTINUED)

Performance obligations for contracts with customers

Terminal handling services

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

Warehousing services

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

6. 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 reportable 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 reportable segments of the ports operation are 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

6. 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 associate, 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, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to 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 (2019: one) customer has accounted for over 10% of the Group's total revenue amounting to HK$1,471 million (2019: HK$1,313 million).

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

	Revenue		Non-current assets	
	2020 HK$'million	2019 HK$'million	**2020 HK$'million**	2019 HK$'million
Mainland China, Hong Kong and Taiwan	**5,009**	5,227	**98,321**	87,513
Other locations	**3,936**	3,671	**46,609**	46,131
	8,945	8,898	**144,930**	133,644

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

6. 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 2019										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta HK$'million	Yangtze River Delta HK$'million	Bohai Rim HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue	3,654	—	74	844	3,671	8,243	467	188	—	188	8,898
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	6,075	216	414	1,121	1,520	9,346	161	202	(466)	(264)	9,243
Share of profits less losses of											
– Associates	135	2,748	179	26	380	3,468	26	270	—	270	3,764
– Joint ventures	1	137	215	3	185	541	1	(11)	—	(11)	531
	6,211	3,101	808	1,150	2,085	13,355	188	461	(466)	(5)	13,538
Finance costs, net	18	—	1	(29)	(351)	(361)	(31)	(41)	(1,349)	(1,390)	(1,782)
Taxation	(1,831)	(151)	(104)	(245)	(105)	(2,436)	(36)	(45)	(1)	(46)	(2,518)
Profit/(loss) for the year	4,398	2,950	705	876	1,629	10,558	121	375	(1,816)	(1,441)	9,238
Non-controlling interests	(174)	—	—	(207)	(456)	(837)	(33)	(6)	—	(6)	(876)
Profit/(loss) attributable to equity holders of the Company	4,224	2,950	705	669	1,173	9,721	88	369	(1,816)	(1,447)	8,362
Other information:											
Depreciation and amortisation	649	—	2	313	903	1,867	105	1	23	24	1,996
Capital expenditure	1,130	—	—	624	813	2,567	283	19	20	39	2,889

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

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

	As at 31 December 2020										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	18,158	6,985	1,153	12,114	36,863	75,273	3,061	8,889	5,491	14,380	92,714
Interests in associates	2,581	30,597	4,437	3,108	10,244	50,967	869	15,590	—	15,590	67,426
Interests in joint ventures	6	—	3,020	360	5,677	9,063	6	22	—	22	9,091
Non-current assets held for sale	—	—	—	405	—	405	—	—	—	—	405
Total segment assets	20,745	37,582	8,610	15,987	52,784	135,708	3,936	24,501	5,491	29,992	169,636
Taxation recoverable											8
Deferred tax assets											420
Total assets											170,064
LIABILITIES											
Segment liabilities	(3,040)	(321)	(38)	(1,934)	(10,525)	(15,858)	(692)	(1,445)	(31,540)	(32,985)	(49,535)
Taxation payable											(2,412)
Deferred tax liabilities											(4,482)
Total liabilities											(56,429)

6. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December 2019										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta HK$'million	Yangtze River Delta HK$'million	Bohai Rim HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	16,916	1,845	1,185	10,964	36,170	67,080	2,870	8,250	2,677	10,927	80,877
Interests in associates	2,446	27,141	3,970	2,848	6,951	43,356	852	13,844	—	13,844	58,052
Interests in joint ventures	4	953	2,816	341	5,511	9,625	6	17	—	17	9,648
Non-current assets held for sale	—	—	—	210	—	210	—	—	—	—	210
Total segment assets	19,366	29,939	7,971	14,363	48,632	120,271	3,728	22,111	2,677	24,788	148,787
Taxation recoverable											35
Deferred tax assets											260
Total assets											149,082
LIABILITIES											
Segment liabilities	(2,410)	—	(38)	(2,264)	(12,392)	(17,104)	(843)	(972)	(30,625)	(31,597)	(49,544)
Taxation payable											(1,736)
Deferred tax liabilities											(3,668)
Total liabilities											(54,948)

7. PROFIT FOR THE YEAR

	2020 HK$'million	2019 HK$'million
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments) (note 9)	**1,800**	1,777
Depreciation of property, plant and equipment	**1,296**	1,243
Depreciation of right-of-use assets	**478**	482
Amortisation of intangible assets	**259**	271
Auditor's remuneration (including fees for non-audit services)	**11**	15

8. OTHER INCOME AND OTHER GAINS, NET

	2020 HK$'million	2019 HK$'million
Dividend income from equity investments	**87**	122
(Loss)/gain on disposal of property, plant and equipment	**(120)**	17
Gain on resumption of land parcels at Qianhai (Note (a))	**—**	4,820
Gain on resumption of land parcels at Shantou (Note (b))	**1,722**	688
Increase in fair value of investment properties (note 19)	**149**	105
Gain on discontinuance of equity accounting for a joint venture (note 39)	**960**	—
Gain on deemed disposal of interest in a joint venture (note 22)	**—**	440
Increase in fair value of financial assets at FVTPL	**256**	513
Increase in fair value of financial liabilities at FVTPL	**(765)**	(414)
Impairment loss recognised in respect of goodwill (note 16)	**(621)**	—
Net allowance for credit losses of trade debtors and other debtors	**(510)**	(38)
Net exchange gain/(loss)	**446**	(29)
Indemnification from related parties (Note (c))	**—**	554
Government grants (Note (d))	**190**	116
Others	**58**	54
	1,852	6,948

8. OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

Notes:

(a) During the year ended 31 December 2019, certain land parcels held by the Group and certain members (as set out in note 41) of CMG and its subsidiaries at Qianhai, Shenzhen, the PRC were resumed by Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission ("QHSH"), an authority established by the government of the PRC. The government compensation for the resumption of the land parcels (excluding a piece of land at Dachan Bay Port Phase II, Shenzhen, the PRC, to be received by the Group as part of the compensation (note 24)) at Qianhai held by the Group was RMB5,693 million (equivalent to approximately HK$6,457 million), resulting in a gain on the resumption of HK$4,820 million. Further details are set out in note 41(a)(x).

(b) Certain non-current assets held for sale as at 31 December 2018, land use rights classified under right-of-use assets and property, plant and equipment at Shantou, Guangdong Province, the PRC were resumed by Shantou Land Reserve Center ("SLRC"), an authority established by the government of the PRC during the year ended 31 December 2019. The total compensation for the resumption of the related assets at Shantou held by the Group were RMB976 million (equivalent to approximately HK$1,107 million), resulting in a gain on the resumption of HK$688 million, net of resumption costs amounting to HK$52 million.

Certain non-current assets held for sale as at 31 December 2019, land use rights classified under right-of-use assets and property, plant and equipment at Shantou were resumed by SLRC during the year ended 31 December 2020. The total compensation for the resumption of the related assets at Shantou held by the Group are RMB2,381 million (equivalent to approximately HK$2,655 million) resulting in a gain on the resumption of HK$1,722 million, net of resumption costs amounting to HK$158 million.

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

(d) During the year ended 31 December 2020, the Group recognised government grants of HK$7 million in respect of COVID-19-related subsidies, of which HK$6 million relates to Employment Support Scheme provided by the Hong Kong government.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'million	2019 HK$'million
Wages, salaries and bonus	**1,494**	1,478
Equity-settled share based payment	**17**	—
Retirement benefit scheme contributions (Note)	**289**	299
	1,800	1,777

Note: No forfeiture was utilised for the year ended 31 December 2020 (2019: nil), leaving no available balance at the year end to reduce future contributions.

10. 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	2020 Total HK$'million	2019 Total HK$'million
Executive Directors:						
Fu Gangfeng (Note (ii))	—	—	—	—	—	—
Deng Renjie (Note (ii))	—	—	—	—	—	N/A
Su Jian (Note (iii))	—	—	—	—	—	—
Xiong Xianliang	—	—	—	—	—	—
Bai Jingtao (Note (iv))	—	1.66	1.21	0.48	3.35	5.15
Ge Lefu (Note (v))	—	1.58	1.06	0.35	2.99	2.68
Wang Zhixian	—	1.46	0.94	0.35	2.75	4.20
Zheng Shaoping	—	1.50	1.01	0.35	2.86	4.23
Liu Weiwu (Note (iii))	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors:						
Kut Ying Hay	0.28	—	—	—	0.28	0.28
Lee Yip Wah Peter	0.28	—	—	—	0.28	0.28
Li Ka Fai David	0.28	—	—	—	0.28	0.28
Bong Shu Ying Francis	0.28	—	—	—	0.28	0.28
Li Kwok Heem John (Note (vi))	—	—	—	—	—	—
Total for the year ended 31 December 2020	1.12	6.20	4.22	1.53	13.07	
Total for the year ended 31 December 2019	1.12	6.21	9.43	0.62		17.38

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.

10. 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. Fu Gangfeng resigned as the Chairman of the Board of Directors and as an executive director of the Company and Mr. Deng Renjie was appointed as the Chairman of the Board of Directors and as an executive director of the Company on 13 February 2020.

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

(iv) Mr. Bai Jingtao is the Managing Director of the Board of Directors of the Company.

(v) Mr. Ge Lefu was appointed as an executive director of the Company on 5 June 2019.

(vi) Mr. Li Kwok Heem John resigned as an independent non-executive director and member of all committees of the Company on 5 June 2019.

(vii) 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.

11. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the eight (2019: ten) senior management of the Company for the year ended 31 December 2020, four (2019: four) of them are directors of the Company and their remuneration has been disclosed in note 10. The total emoluments of the remaining four (2019: six) senior management is as follows:

	2020 HK$'million	2019 HK$'million
Salaries, other allowances and benefit-in-kinds	7	9
Performance related incentive payments	5	9
	12	18

11. EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Emoluments of senior management (continued)

The emoluments fell within the following bands:

	Number of senior management	
	2020	2019
Below HK$1,500,000	**—**	—
HK$1,500,001 - HK$2,000,000	**—**	1
HK$2,000,001 - HK$2,500,000	**1**	—
HK$2,500,001 - HK$3,000,000	**2**	1
Above HK$3,000,000	**1**	4
	4	6

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2019: three) are directors (including the chief executive) and two (2019: two) are senior management of the Company whose emoluments are included in notes 10 and 11(a), respectively.

During the years ended 31 December 2020 and 2019, 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 2020 and 2019.

12. FINANCE INCOME AND COSTS

	2020 HK$'million	2019 HK$'million
Finance income from:		
Interest income from bank and other deposits	**80**	118
Interest income from advance to a joint venture	**69**	71
Interest income from advances to associates	**149**	—
Interest income from amount due from a related party	—	21
Others	—	4
	298	214
Interest expense on:		
Bank loans	**(474)**	(598)
Listed notes payable	**(1,077)**	(1,118)
Unlisted notes payable	**(138)**	(142)
Loans from:		
– a non-controlling equity holder of a subsidiary	**(21)**	(20)
– fellow subsidiaries	**(23)**	(33)
– immediate holding company	**(22)**	(1)
– an associate	—	(8)
Lease liabilities	**(54)**	(54)
Others	**(54)**	(44)
Total borrowing costs incurred	**(1,863)**	(2,018)
Less: amount capitalised on qualifying assets (Note)	**41**	22
Finance costs	**(1,822)**	(1,996)
Finance costs, net	**(1,524)**	(1,782)

Note: Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.21% per annum (2019: 5.03% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

13. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2019: 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.

13. TAXATION (CONTINUED)

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

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

	2020 HK$'million	2019 HK$'million
Current taxation		
Hong Kong Profits Tax	**4**	5
PRC corporate income tax (Note (a))	**841**	2,021
Overseas profits tax	—	51
Withholding income tax	**146**	164
Deferred taxation		
Origination and reversal of temporary differences (Note (b))	**86**	277
	1,077	2,518

Notes:

(a) Included in the amount for the year ended 31 December 2020 was the PRC corporate income tax of HK$431 million levied on the Group for the gain on resumption of land parcels at Shantou. Included in the amount for the year ended 31 December 2019 was the PRC corporate income tax of HK$1,409 million levied on the Group for the gain on resumption of land parcels at Qianhai. Further details are set out in notes 8 and 41(a)(x).

(b) Included in the amount for the year ended 31 December 2019 was the net deferred tax arising from the gain on resumption of land parcels at Qianhai amounting to HK$130 million.

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:

	2020 HK$'million	2019 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	**2,701**	7,461
Expected tax calculated at the weighted average applicable tax rate	**700**	1,927
Income not subject to tax	**(560)**	(433)
Expenses not deductible for tax purposes	**512**	279
Tax losses and other temporary differences not recognised	**70**	109
Utilisation of previously unrecognised tax losses	**(11)**	(15)
Withholding tax on earnings of subsidiaries, associates and joint ventures	**366**	651
Tax charge	**1,077**	2,518

The weighted average applicable tax rate was 25.9% (2019: 25.8%).

14. DIVIDENDS

	2020 HK$'million	2019 HK$'million
Interim, paid, of 18 HK cents (2019: 22 HK cents) per ordinary share	**649**	752
Final, proposed, of 51 HK cents (2019: 58 HK cents) per ordinary share	**1,867**	2,000
	2,516	2,752

Details of scrip dividends are set out in note 29.

At a meeting held on 30 March 2021, the Board of Directors proposed a final dividend of 51 HK cents (2019: 58 HK cents) per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

The amount of proposed final dividend for 2020 was based on 3,661,088,416 (2019: 3,448,947,770) shares in issue as at 30 March 2021.

15. 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:

	2020	2019
Basic		
Profit attributable to equity holders of the Company (HK$ million)	**5,151**	8,362
Weighted average number of ordinary shares in issue	**3,522,492,505**	3,374,097,013

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential dilutive ordinary shares in issue for both 2020 and 2019.

16. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets		
	HK$'million (Note (b))	Port operating rights HK$'million (Note (c))	Others HK$'million (Note (d))	Total HK$'million
Year ended 31 December 2020				
As at 1 January 2020	6,931	9,759	485	10,244
Exchange adjustments	(769)	(642)	(90)	(732)
Addition	—	116	—	116
Obtaining control of a non-wholly owned subsidiary (note 39)	218	—	—	—
Amortisation (Note (a))	—	(259)	—	(259)
Impairment loss	(621)	—	—	—
As at 31 December 2020	5,759	8,974	395	9,369
As at 31 December 2020				
Cost	6,380	10,689	402	11,091
Accumulated amortisation and impairment	(621)	(1,715)	(7)	(1,722)
Net book value	5,759	8,974	395	9,369
Year ended 31 December 2019				
As at 1 January 2019	7,922	10,548	584	11,132
Exchange adjustments	(991)	(531)	(99)	(630)
Addition	—	13	—	13
Amortisation (Note (a))	—	(271)	—	(271)
As at 31 December 2019	6,931	9,759	485	10,244
As at 31 December 2019				
Cost	6,931	11,413	492	11,905
Accumulated amortisation	—	(1,654)	(7)	(1,661)
Net book value	6,931	9,759	485	10,244

16. 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 9 groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2020 HK$'million	2019 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– Pearl River Delta (comprising 6 groups of CGUs)	2,479	2,345
– Others (comprising 2 groups of CGUs)	235	627
	2,714	2,972
– Brazil	3,045	3,959
	5,759	6,931

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

The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal and value in use calculations. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management covering periods ranging from 5 years to 10 years (2019: 5 years) and 28 years (2019: N/A) for ports operation in Mainland China, Hong Kong and Taiwan and in Brazil, respectively, and discounted by rates specific to the relevant CGUs. Management determines the financial budgets based on past performance and its expectations for market development, including the expected economic growth in developed and emerging economies in the short-term and medium-term, prospective GDP growth rates of respective regions, future developments of the ports, among others. The cash flow projections, growth rates and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated below.

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

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

	Growth rate (Note (i))		Discount rate (Note (ii))	
	2020	2019	2020	2019
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– Pearl River Delta	2.70% - 3.00%	1.00% - 3.00%	6.50% - 12.74%	9.79% - 12.30%
– Others	2.70%	3.00%	11.19% - 11.97%	9.40% - 12.13%
– Brazil	3.00%	N/A (Note (iii))	16.78%	N/A (Note (iii))

Notes:

(i) Weighted average growth rates are used to extrapolate cash flows beyond the budgeted period which do not exceed the historical trend of the respective CGUs nor the industry growth rate.

(ii) Pre-tax discount rate has been applied to the cash flow projections. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

(iii) The recoverable amount of this CGU as at 31 December 2019 had been determined based on its fair value less costs of disposal of a recent transaction of the same operating entity comprising the CGU as set out in note 20(d), which was higher than the carrying amount of the CGU. The fair value measurement is categorised as level 2 (see note 2.1).

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(b) (continued)

During the year ended 31 December 2020, an impairment loss of goodwill allocated to ports operation in Mainland China amounted to HK$621 million (2019: nil) has been recognised.

In addition to impairment testing using the base case assumption, separate sensitivity analyses were performed. The sensitive tests using a higher/lower discount rate of 0.3% and a lower/higher growth rate of 0.1% indicated that the impairment loss of goodwill allocated to ports operation in Mainland China would have been increased/decreased by approximately HK$97 million and HK$16 million respectively.

For remaining groups of CGUs, the management believes that any reasonably possible change in any of the above assumptions would not cause the aggregate carrying amount of any of the above CGUs to exceed the respective aggregate recoverable amounts.

(c) Included in port operating rights as at 31 December 2020 is an amount of HK$4,517 million (2019: HK$4,147 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 2020 is also an amount of HK$3,423 million (2019: HK$4,548 million) related to the concession for operation of a terminal in Brazil for an concession period of 50 years commencing from 1998 granted by the Brazilian Federal Government. The carrying amount of the concession represents the fair value as at the date of the business combination under which the Group acquired the concession less its accumulated amortisation. Amortisation is provided for over the period in which the Group operates the relevant terminals on an economic usage basis. Further details are set out in note 35(a).

The remaining amount of port operating rights amounting to HK$1,034 million (2019: HK$1,064 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. Further details are set out in note 35(b).

(d) Balance as at 31 December 2020 and 2019 mainly represents trademark acquired in a business combination during the year ended 31 December 2018 and is considered by the management of the Group as having an indefinite useful live because it is expected to contribute to the generation of net cash inflows to the Group indefinitely. It is tested for impairment annually and whenever there is an indication that it may have been impaired. No impairment loss of the trademark is recognised for the current year.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'million	Harbour works, buildings and dockyard HK$'million	Plant, machinery, furniture and equipment HK$'million	Others HK$'million (Note (b))	Assets under construction HK$'million (Note (a))	Total HK$'million
Year ended 31 December 2020						
As at 1 January 2020	871	12,734	4,398	1,023	4,844	23,870
Exchange adjustments	42	94	93	9	105	343
Additions	1	116	92	22	1,291	1,522
Obtaining control of a non-wholly owned subsidiary	208	2,123	428	4	26	2,789
Disposals	(5)	(220)	(35)	(1)	—	(261)
Transfers	(8)	1,878	397	20	(2,287)	—
Transfers from/(to) right-of-use assets	—	—	116	10	(456)	(330)
Transfers to non-current assets held for sale	—	(128)	—	—	—	(128)
Depreciation (Note (c))	(41)	(607)	(564)	(84)	—	(1,296)
As at 31 December 2020	1,068	15,990	4,925	1,003	3,523	26,509
As at 31 December 2020						
Cost	1,524	22,517	12,018	1,621	3,523	41,203
Accumulated depreciation and impairment	(456)	(6,527)	(7,093)	(618)	—	(14,694)
Net book value	1,068	15,990	4,925	1,003	3,523	26,509
Year ended 31 December 2019						
As at 31 December 2018	1,066	16,800	4,317	953	6,076	29,212
Adjustments upon application of HKFRS 16	(145)	(5,876)	(151)	(12)	—	(6,184)
As at 1 January 2019 (restated)	921	10,924	4,166	941	6,076	23,028
Exchange adjustments	(15)	(298)	(82)	(12)	112	(295)
Additions	2	268	137	30	2,138	2,575
Disposals	(2)	(126)	(10)	(5)	(38)	(181)
Transfers	2	2,616	677	149	(3,444)	—
Transfers from other non-current assets	—	—	60	—	—	60
Transfers to non-current assets held for sale	—	(74)	—	—	—	(74)
Depreciation (Note (c))	(37)	(576)	(550)	(80)	—	(1,243)
As at 31 December 2019	871	12,734	4,398	1,023	4,844	23,870
As at 31 December 2019						
Cost	1,238	17,800	9,645	1,517	4,844	35,044
Accumulated depreciation and impairment	(367)	(5,066)	(5,247)	(494)	—	(11,174)
Net book value	871	12,734	4,398	1,023	4,844	23,870

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Included in assets under construction is capitalised interest of HK$69 million (2019: HK$70 million).

(b) Others comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$749 million (2019: HK$780 million), HK$60 million (2019: HK$50 million) and HK$194 million (2019: HK$193 million) respectively as at 31 December 2020.

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

	2020 HK$'million	2019 HK$'million
Cost of sales	1,247	1,200
Administrative expenses	49	43
	1,296	1,243

(d) As at 31 December 2020, harbour works, buildings and dockyard and assets under construction with aggregate net book value of HK$458 million (2019: HK$417 million) were pledged as security for the Group's bank borrowings (note 33(a)).

18. 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 2020						
Carrying amount	9,542	141	6,214	5	651	16,553
As at 31 December 2019						
Carrying amount	8,575	148	5,882	136	694	15,435
For the year ended 31 December 2020						
Depreciation charge	(226)	(15)	(183)	(22)	(32)	(478)
For the year ended 31 December 2019						
Depreciation charge	(252)	(15)	(164)	(19)	(32)	(482)

18. RIGHT-OF-USE ASSETS (CONTINUED)

	2020 HK$'million	2019 HK$'million
Expenses relating to short-term leases	**54**	45
Total cash outflow for the leases	**220**	432
Obtaining control of a non-wholly owned subsidiary (note 39)	**1,428**	—
Additions to right-of-use assets	**515**	266

For both years, the Group leases various items of assets as set out above for its operations. Lease contracts are entered into for fixed term of 12 months to 99 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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 2020, 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 2020, right-of-use assets with a net book value of HK$230 million (2019: HK$356 million) were pledged as security for the Group's bank loans (2019: bank loans and a loan from a fellow subsidiary) (note 33(a)).

19. 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 up 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.

	2020 HK$'million	2019 HK$'million
As at 1 January	**8,246**	8,332
Exchange adjustments	**539**	(184)
Increase in fair value (note 8)	**149**	105
Additions	—	1
Transfers to non-current assets held for sale	**(16)**	(8)
As at 31 December	**8,918**	8,246

19. INVESTMENT PROPERTIES (CONTINUED)

The investment properties were revalued at the end of each reporting period by independent and professional qualified valuers not connected to the Group. In determining the fair value of the relevant properties, the Board of Directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 2.1).

Description	Valuation techniques	Significant unobservable inputs	Relationship of non-observable inputs to fair value
Commercial and residential complex in Shenzhen, the PRC	Investment approach	Monthly market rent, taking into account the growth rate and rent of comparables, at an average of HK$93 (2019: HK$91) per square metre ("sqm") per month.	A significant increase in the rental income would result in a significant increase in the fair value, and vice versa.
		Capitalisation rate, at an average of 6.5% (2019: 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	Market comparison approach	Market unit rate, taking into account the transaction dates, floor areas, locations and conditions of the property, which ranged from HK$85,029 to HK$88,041 (2019: HK$89,306 to HK$90,422) per sqm.	A significant increase in the market unit rate used would result in a significant increase in the fair value, and vice versa.

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.

20. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

Particulars of the Company's principal subsidiaries at 31 December 2020 are set out in note 42.

(b) Exercise of put option issued to non-controlling equity holders of TCP Participacões S.A. ("TCP")

In February 2020, certain non-controlling equity holders of TCP (together with its subsidiaries, the "TCP Group") (the "Sellers") exercised put option as set out in note 37, pursuant to which the Sellers have the right to sell to, and require the Group to acquire all of the Sellers' remaining equity interest of the TCP Group in total of 845,703 shares at a cash consideration.

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

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

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

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

(d) Disposal of interests in Xinda Resources Limited ("Xinda") without losing control

In December 2019, the Company completed the disposal of 25.05% interest in, and 25.05% of the shareholder's loan advanced by the Company to, Xinda (together with its subsidiaries, the "Xinda Group"), a wholly-owned subsidiary of the Company whose principal asset is its interest in 90% of the issued share capital of TCP, to individual third parties, for a total cash consideration of HK$1,944 million. The Group's effective interest in TCP decreased from 90% to 67.45% immediately after the disposal.

An amount of HK$1,330 million, being the proportionate share of the carrying amount of the net assets of the Xinda Group and the shareholder's loan assigned, has been transferred to non-controlling interests. The difference of HK$614 million between the increase in the non-controlling interests and the consideration received has been credited to relevant reserves.

20. INTERESTS IN SUBSIDIARIES (CONTINUED)

(e) 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	
	2020	2019	**2020**	2019	**2020 HK$'million**	2019 HK$'million
Shantou China Merchants Port Group Co., Ltd. ("SPG")	**40.00%**	40.00%	**40.00%**	40.00%	**4,677**	3,974
HIPG Group	**35.00%**	15.00%	**35.00%**	15.00%	**4,874**	3,231
Individually immaterial subsidiaries with non-controlling interests					**9,958**	7,146
					19,509	14,351

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

20. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

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

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

20. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

	2019	
	SPG Group HK$'million	HIPG Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	450	145
Other income and other gains	1,128	—
Expenses and taxation	(1,011)	(303)
Profit/(loss) for the year	567	(158)
Other comprehensive income	—	—
Total comprehensive income/(expense) for the year	567	(158)
Profit/(loss) for the year, attributable to:		
Equity holders of the Company	340	(117)
Non-controlling interests of the Group	227	(41)
	567	(158)
Total comprehensive income/(expense) for the year, attributable to:		
Equity holders of the Company	340	(117)
Non-controlling interests of the Group	227	(41)
	567	(158)
Dividends paid to non-controlling interests of the Group	—	—
Financial information of the consolidated statement of cash flows		
Net cash inflow from operating activities	96	1
Net cash inflow/(outflow) from investing activities	399	(37)
Net cash (outflow)/inflow from financing activities	(8)	44
Net cash inflow	487	8

20. INTERESTS IN SUBSIDIARIES (CONTINUED)

(e) 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 HIPG Group is set out below:

	2020		2019	
	SPG Group HK$'million	HIPG Group HK$'million	SPG Group HK$'million	HIPG Group HK$'million
Non-current assets	5,693	10,464	6,401	10,624
Current assets	8,322	92	5,748	48
Current liabilities	(1,447)	(165)	(793)	(111)
Non-current liabilities	(1,021)	(1)	(901)	—
	11,547	10,390	10,455	10,561
Equity attributable to:				
Equity holders of the Company	6,870	5,516	6,481	7,330
Non-controlling interests of the Group	4,677	4,874	3,974	3,231
	11,547	10,390	10,455	10,561

(f) 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.

21. INTERESTS IN ASSOCIATES

	2020 HK$'million	2019 HK$'million
Share of net assets of associates, net of impairment:		
Listed associates	**32,155**	28,424
Unlisted associates	**30,002**	24,460
	62,157	52,884
Goodwill:		
Listed associates	**2,548**	2,394
Unlisted associates	**2,721**	2,774
	5,269	5,168
Total	**67,426**	58,052

In prior years, the directors of the Company conducted a review of the Group's interest in a listed associate with reference to its economic outlooks and assessed its recoverable amount, with reference to its value in use and fair value less costs of disposal. The recoverable amount was determined to be the then fair value less costs of disposal (where the fair value was valued based on quoted prices in active markets for the identical asset directly and categorised as level 1 of the fair value measurement hierarchy) and was less than the carrying amount of the Group's interest in the said listed associate by HK$739 million. Accordingly, impairment loss of the same account was recognised in profit or loss in prior years.

The management of the Group carried out an assessment as at 31 December 2020 and 2019 for whether there is any indication that the impairment loss recognised in prior years for the listed associate may no longer exist or may be decreased. The management of the Group concluded that the indications of impairment previously identified still existed as at 31 December 2020 and 2019, no reversal of impairment loss has been recognised.

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

In November 2019, the Company entered into a memorandum of agreement with a third party who indirectly holds 51% of Terminal Link, pursuant to which the Company proposed to subscribe for the mandatory convertible bonds ("Mandatory Convertible Bonds") issued by, and to grant a term loan with a 8-year repayment term and 6% interest rate per annum ("Term Loan") to, Terminal Link for a total amount of US$468 million and US$500 million, respectively (equivalent to approximately HK$3,644 million and HK$3,894 million, respectively) to finance the proposed acquisition by Terminal Link of interests in a portfolio of ten terminals owned by the third party and its affiliates ("Proposed Acquisition").

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

Particulars of the Group's principal associates at 31 December 2020 are set out in note 43.

21. INTERESTS IN ASSOCIATES (CONTINUED)

The Group's material associate at the end of the reporting period includes Shanghai International Port (Group) Co., Ltd. ("SIPG"). All of the Group's associates are accounted for using equity method in the consolidated financial statements.

Summarised financial information in respect of SIPG and its subsidiaries (the "SIPG Group") is set out below. Other associates invested by the Group are not individually material. The summarised financial information below represents the financial information of the SIPG Group prepared in accordance with the significant accounting policies of the Group.

(a) Material associate

	SIPG Group	
	2020 HK$'million	2019 HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	**29,364**	40,945
Profit for the year, attributable to equity holders of the associate	**9,375**	10,265
Other comprehensive income/(expense) for the year, attributable to equity holders of the associate	**597**	(187)
Total comprehensive income for the year, attributable to equity holders of the associate	**9,972**	10,078
Dividends received from the associate by the Group during the year	**1,023**	1,087
Financial information of consolidated statement of financial position		
Non-current assets	**137,009**	116,995
Current assets	**51,779**	45,014
Current liabilities	**(26,628)**	(21,553)
Non-current liabilities	**(47,308)**	(38,235)
Net assets of the associate	**114,852**	102,221

21. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Material associate (continued)

	SIPG Group	
	2020 HK$'million	2019 HK$'million
Reconciliation to the carrying amounts of interests in the associate:		
Net assets of the associate	**114,852**	102,221
Less: non-controlling interests	**(10,054)**	(9,758)
Net assets attributable to equity holders of the associate	**104,798**	92,463
Proportion of the Group's interests in the associate	**26.77%**	26.77%
Net assets attributable to the Group's interests in the associate	**28,054**	24,752
Goodwill	**2,543**	2,389
Carrying amount of the Group's interests in the associate	**30,597**	27,141
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	**33,681**	39,952

(b) Aggregate of other associates

	2020 HK$'million	2019 HK$'million
The Group's share of:		
Profit for the year	**1,607**	1,016
Other comprehensive income	**112**	252
Total comprehensive income	**1,719**	1,268
Aggregate carrying amount of the Group's interests in these associates	**36,829**	30,911

22. INTERESTS IN JOINT VENTURES

	2020 HK$'million	2019 HK$'million
Share of net assets of unlisted joint ventures	**9,091**	9,648

Deemed disposal of a joint venture engaged in port operation in Zhanjiang, the PRC and reclassification to interest in an associate in 2019

During the year ended 31 December 2019, 1,853,518,190 shares of Zhanjiang Port (Group) Co., Ltd. ("ZJG") were issued to a fellow subsidiary and another party independent to the Group. Following the subscription of new shares by the subscribers, the Group's interest in ZJG has been diluted from 40.29% to 27.58%, resulting in a gain on deemed disposal of HK$440 million. Under the new shareholders' agreement, decisions of relevant activities of ZJG do not require unanimous consent from all of its shareholders, including the Group. Hence, the Group no longer recognised its investment in ZJG as interest in a joint venture. The investment in ZJG is accounted for as an interest in an associate as the directors consider the Group has significant influence over the investee.

Particulars of the Group's principal joint ventures at 31 December 2020 are set out in note 44.

As at 31 December 2019, the Group's material joint ventures included Port of Newcastle Investments (Property Holdings) Trust (the "PONI Property Trust Group") and Port of Newcastle Investments (Holdings) Trust (the "PONI Corporate Trust Group"). As at 31 December 2020, in the opinion of the directors of the Company, the Group has no individually material joint venture and no individual financial information of individually material joint venture is disclosed. All of the Group's joint ventures are accounted for using equity method in the consolidated financial statements.

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised prior year financial information in respect of PONI Property Trust Group and PONI Corporate Trust Group is set out below. As at 31 December 2020, all the joint ventures invested by the Group are not individually material. The summarised financial information below represents the financial information prepared in accordance with the significant accounting policies of the Group.

(a) Material joint ventures

	2019	
	PONI Property Trust Group HK$'million	PONI Corporate Trust Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	539	913
Profit/(loss) for the year, attributable to the equity holders of the joint ventures	303	(212)
Other comprehensive expense for the year, attributable to the equity holders of the joint ventures	(49)	(2)
Total comprehensive income/(expense) for the year, attributable to the equity holders of the joint ventures	254	(214)
Dividends received from the joint ventures by the Group during the year	33	—
Financial information of the consolidated statement of financial position		
Non-current assets	8,273	14,748
Current assets	180	170
Current liabilities	(296)	(2,274)
Non-current liabilities	(5,072)	(10,591)
Net assets of the joint ventures	3,085	2,053
Reconciliation to the carrying amounts of interests in the joint ventures:		
Net assets attributable to the equity holders of the joint ventures	3,085	2,053
Proportion of the Group's interests in the joint ventures	50%	50%
Carrying amount of the Group's interests in the joint ventures	1,543	1,027
Share of profit/(loss) of the joint ventures	152	(106)

22. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Aggregate of individually not material joint ventures

	2020 HK$'million	2019 HK$'million
The Group's share of:		
Profit for the year	340	486
Other comprehensive income/(expense)	433	(162)
Total comprehensive income	773	324
Aggregate carrying amount of the Group's interests in individually not material joint ventures	9,091	7,078

23. OTHER FINANCIAL ASSETS

	2020 HK$'million	2019 HK$'million
Financial assets at FVTPL (Note (a))	2,955	2,648
Equity instruments at FVTOCI (Note (b))	31	9
Advances to associates (Note (c))	3,365	11
Advance to a joint venture (Note (d))	988	905
	7,339	3,573
Analysed as:		
Non-current	7,258	2,668
Current	81	905
	7,339	3,573

23. OTHER FINANCIAL ASSETS (CONTINUED)

Notes:

(a) Financial assets at FVTPL

	2020 HK$'million	2019 HK$'million
Listed equity investments in Hong Kong	**198**	228
Listed equity investments in Mainland China	**2,754**	1,729
Other unlisted equity investments	**3**	—
Restricted equity investments in Mainland China	**—**	691
	2,955	2,648

(b) Equity instruments at FVTOCI

	2020 HK$'million	2019 HK$'million
Unlisted equity investments in Mainland China	**31**	9

100% (2019: 100%) of the equity instruments at FVTOCI are denominated in Renminbi and no remaining balance (2019: nil) is denominated in Hong Kong dollar.

(c) Included in the amount of the Term Loan of US$429 million (equivalent to approximately HK$3,325 million) for the year ended 31 December 2020 is denominated in United States dollar, interest-bearing at a rate of 6% per annum and repayable in 2028.

Included in the amount for the remaining balance of an advance to another associate of RMB34 million (equivalent to approximately HK$40 million) for the year ended 31 December 2020 is denominated in Renminbi, interest-bearing at a rate of 4.75% per annum and repayable in 2023. Details of impairment are set out in note 3.1.

(d) The amount is denominated in Australian dollar, unsecured, interest-bearing at a rate of 8% per annum and repayable in 2023. Details of impairment are set out in note 3.1.

24. OTHER NON-CURRENT ASSETS

	2020 HK$'million	2019 HK$'million
Prepayments and deposits for purchase of non-current assets	**127**	107
Right to receive a land use right from QHSH (Note)	**1,089**	1,024
Others	**89**	87
	1,305	1,218

Note: Amount being the land use right for a land parcel in Shenzhen, the PRC, receivable from QHSH as part of the compensation for the resumption of certain land parcels at Qianhai, Shenzhen, the PRC. Upon receipt of the said land parcel, this amount will be reclassified and included in right-of-use assets. Further details of the transactions are set out in note 41(a)(x).

25. INVENTORIES

	2020 HK$'million	2019 HK$'million
Raw materials	128	106
Spare parts and consumables	51	19
	179	125

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK$'million	2019 HK$'million
Trade debtors from contracts with customers (Notes (a), (b), (d) and (e))	1,076	1,003
Less: allowance for credit losses (Note (a))	(58)	(85)
Trade debtors, net (Note (c))	1,018	918
Amounts due from fellow subsidiaries (Note (f))	15	10
Amount due from immediate holding company (Note (f))	2	—
Amounts due from associates (Note (g))	98	134
Amounts due from joint ventures (Note (f))	1	2
Dividend receivables	290	498
	1,424	1,562
Other debtors, deposits and prepayments (Note (h))	4,069	1,873
	5,493	3,435

26. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

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

	2020 HK$'million	2019 HK$'million
As at 1 January	**85**	49
Allowance for credit losses	**12**	39
Reversal of allowance	**(38)**	(1)
Written-off	**(4)**	—
Exchange adjustments	**3**	(2)
As at 31 December	**58**	85

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

The maximum exposure to credit risk at the reporting date is the carrying value of debtors, deposits and prepayments. The Group does not hold any collateral as security.

(b) Bill receivables of HK$1 million (2019: HK$15 million) are included in trade debtors as at 31 December 2020.

(c) The Group has a credit policy of allowing an average credit period of 90 days (2019: 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:

	2020 HK$'million	2019 HK$'million
0 - 90 days	**996**	852
91 - 180 days	**8**	42
181 - 365 days	**4**	14
Over 365 days	**10**	10
	1,018	918

(d) As at 31 December 2020, trade debtors of HK$910 million (2019: HK$667 million) and balances with related companies of HK$406 million (2019: HK$644 million) are neither past due nor impaired and are fully performing.

(e) As at 31 December 2020, included in the Group's trade debtors balance are debtors with aggregate carrying amount (before any allowance for credit losses) of HK$163 million (2019: HK$336 million) which are past due as at the reporting date. Out of the past due balances, HK$20 million (2019: HK$52 million) has been past due 90 days or more and is not considered as in default as these are related to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

(f) The amounts are unsecured, interest-free and expected to be repayable within twelve months from the end of the reporting period.

(g) The balances are unsecured, interest-free and repayable on demand.

(h) Included in the amount as at 31 December 2020 is the compensation receivable from SLRC for the resumption of land parcels at Shantou amounting to HK$3,258 million (31 December 2019: HK$582 million) and an indemnification receivable from the holding companies of a non-controlling shareholder of a subsidiary amounting to HK$239 million (31 December 2019: HK$747 million).

27. CASH AND BANK BALANCES

	2020 HK$'million	2019 HK$'million
Cash at bank and in hand	**7,167**	4,991
Short-term time and other deposits (Note (a))	**4,050**	1,948
	11,217	6,939
Other deposits (Note (b))	**73**	861
	11,290	7,800

Cash and bank balances are denominated in the following currencies:

	2020 HK$'million	2019 HK$'million
Hong Kong dollar	**2,412**	70
Renminbi	**6,649**	4,973
United States dollar	**960**	1,773
Euro	**915**	590
Brazilian Real	**333**	334
Other currencies	**21**	60
	11,290	7,800

Notes:

(a) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 0.99% (2019: 2.15%) per annum. These deposits can be readily convertible to cash before maturity.

(b) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 3.61% (2019: 3.67%) per annum. These deposits are not convertible to cash until maturity.

28. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2019, the Group commenced the negotiation with a municipal PRC government, pursuant to which the counter-party agreed to resume a piece of land and harbour works, buildings and dockyard (previously included in investment properties, right-of-use assets and property, plant and equipment respectively in the consolidated statement of financial position) in Mainland China. As at 31 December 2019, the compensation for resumption were expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised. The transaction has been completed in the current year.

During the current year, the Group commenced the negotiation with the same municipal PRC government, pursuant to which the counter-party agreed to resume another piece of land and harbour works, buildings and dockyard (previously included in investment properties, right-of-use assets and property, plant and equipment respectively in the consolidated statement of financial position) in Mainland China. The compensation for resumption are expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised. This transaction is expected to be completed within one year from the date of this reclassification and the assets are therefore classified as held for sale as at 31 December 2020.

29. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2020	2019	**2020 HK$'million**	2019 HK$'million
Issued and fully paid:				
As at 1 January	**3,448,947,770**	3,329,849,550	**40,614**	39,070
Issue of scrip dividend shares (Note)	**212,140,646**	119,098,220	**1,907**	1,544
As at 31 December	**3,661,088,416**	3,448,947,770	**42,521**	40,614

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
2019 final dividend	30 July 2020	**158,692,653**
2020 interim dividend	16 November 2020	**53,447,993**
2020 Total		**212,140,646**
2019 Total		119,098,220

30. 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) is received.

31. SHARE OPTION SCHEME

The existing share option scheme was approved by the shareholders' resolutions of the Company and adopted on 9 December 2011 (the "New Scheme"), under which the Company's directors may, at their discretion, grant to any director or employee of the Company, the intermediate holding company of the Company or any of its subsidiaries or associates at a price of not less than the higher of (i) the closing price of shares as stated in the daily quotation sheet of the HKSE on the date of the offer of grant; and (ii) the average closing price of shares as stated in the daily quotation sheets of the HKSE for the five trading days immediately preceding the date of the offer of grant. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the old scheme and any other share option schemes adopted must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The New Scheme is valid and effective for a period of 10 years.

Upon termination of the old scheme on 9 December 2011, no further options will be granted thereunder. However, the rules of the old scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the old scheme. All options granted under the old scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the old scheme. The terms of the New Scheme and the old scheme are generally similar.

No share options have been granted under the New Scheme since its adoption nor outstanding during the year upon the expiry of the old scheme.

32. OTHER RESERVES

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

32. OTHER RESERVES (CONTINUED)

	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserves HK$'million (Note)	Total HK$'million
As at 1 January 2019	(9)	263	(59)	2,773	2,968
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(3,103)	—	(3,103)
Release the fair value of equity instruments at FVTOCI, net of deferred taxation	—	(5)	—	—	(5)
Share of reserves of associates and a joint venture	—	21	—	—	21
Other comprehensive income/(expense) for the year, net of tax	—	16	(3,103)	—	(3,087)
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	—	—	—	207	207
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	249	—	326	(3)	572
Share of other changes in equity attributable to equity holders of associates	329	—	—	—	329
Contribution from a non-controlling equity holder of a subsidiary	28	—	—	—	28
Total transactions with owners for the year	606	—	326	204	1,136
As at 31 December 2019	597	279	(2,836)	2,977	1,017

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.

33. BANK AND OTHER BORROWINGS

	2020 HK$'million	2019 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	5,014	3,330
– fixed rate	772	916
Unsecured long-term fixed rate bank loans	826	79
Long-term variable rate bank loans		
– unsecured	4,864	4,408
– secured (Note (a))	2,941	3,358
	14,417	12,091
Loan from a non-controlling equity holder of a subsidiary (Note (b))	520	454
Loans from fellow subsidiaries (Notes (a) and (c))	455	1,027
Loan from immediate holding company (Note (d))	934	366
Notes payable (Note (e))		
– US$200 million, 3.5% guaranteed listed notes maturing in 2020	—	1,557
– US$500 million, 5% guaranteed listed notes maturing in 2022	3,865	3,875
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	6,944	6,964
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	3,863	3,877
– US$600 million, 5% guaranteed listed notes maturing in 2028	4,602	4,616
– Brazilian Real 428 million, Brazil's National Consumer Price Index ("IPCA") +7.82% listed notes maturing in 2021 and 2022	621	796
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	2,971	2,791
	22,866	24,476
Total	39,192	38,414
Less: amounts due within one year included under current liabilities	(8,952)	(8,995)
Non-current portion	30,240	29,419

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 31 December 2020, the following assets are pledged against the Group's secured bank loans (2019: bank loans and a loan from fellow subsidiary):

	2020 HK$'million	2019 HK$'million
Property, plant and equipment (note 17)	458	417
Right-of-use assets (note 18)	230	356
	688	773

In addition to the above, the entire shareholdings in two subsidiaries, owned by the Company and its subsidiary as at 31 December 2020 and 2019, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) The amount is unsecured, interest-bearing at 4.65% (2019: 4.65%) per annum and is not required to be repaid within twelve months from the end of the reporting period.

(c) Included in the amount as at 31 December 2020 and 2019 is loans from fellow subsidiary which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission amounting to HK$455 million (2019: HK$860 million). These amounts are unsecured, interest-bearing at 1.20% to 4.80% (2019: 4.13% to 4.80%) per annum. Except for the amount of HK$307 million (2019: HK$357 million), the remaining balance is repayable within twelve months from the end of the reporting period.

The remaining balance as at 31 December 2019 was a loan from a fellow subsidiary amounting to HK$167 million which was secured by right-of-use assets and interest bearing at 4.75% per annum. The entire balance has been settled during the current year.

(d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum and repayable within twelve months from the end of the reporting period.

(e) Listed notes issued by subsidiaries of the Company amounting to HK$19,274 million (2019: HK$20,889 million) are secured by corporate guarantees provided by the Company.

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

	2020	2019
US$200 million, 3.5% guaranteed listed notes maturing in 2020	N/A	3.64%
US$500 million, 5% guaranteed listed notes maturing in 2022	5.22%	5.22%
US$900 million, 4.375% guaranteed listed notes maturing in 2023	4.57%	4.57%
US$500 million, 4.75% guaranteed listed notes maturing in 2025	4.83%	4.83%
US$600 million, 5% guaranteed listed notes maturing in 2028	5.18%	5.18%
Brazilian Real 428 million, IPCA +7.82% listed notes maturing in 2021 and 2022	14.66%	14.66%
RMB2,500 million, 4.89% unlisted notes maturing in 2022	4.94%	4.94%

The fair values of the listed notes payable and the unlisted notes payable were HK$22,152 million (2019: HK$23,529 million) and HK$2,971 million (2019: HK$2,861 million) respectively. The fair value of unlisted notes payable were determined by discounting the future cash flows at the current market interest rate available to the Group and the fair value of the listed notes payable was determined with reference to quoted market price. Other than the listed and unlisted notes payable, the carrying amounts of the bank and other borrowings approximate their fair values as at 31 December 2020 and 2019.

(f) As at 31 December 2020, the Group has undrawn facilities of bank loan and other debt financing instruments amounting to HK$27,806 million (2019: HK$20,939 million), of which HK$19,174 million (2019: HK$17,434 million) and HK$8,632 million (2019: HK$3,505 million) are committed and uncommitted credit facilities respectively.

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(g) The bank and other borrowings as at 31 December 2020 and 2019 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from fellow subsidiaries		Loan from immediate holding company		Listed notes payable		Unlisted notes payable		Total	
	2020 HK$'million	2019 HK$'million	**2020 HK$'million**	2019 HK$'million	**2020 HK$'million**	2019 HK$'million	**2020 HK$'million**	2019 HK$'million	**2020 HK$'million**	2019 HK$'million	**2020 HK$'million**	2019 HK$'million	**2020 HK$'million**	2019 HK$'million
Within 1 year	**7,688**	6,563	**—**	—	**148**	509	**934**	366	**182**	1,557	**—**	—	**8,952**	8,995
Between 1 and 2 years	**1,123**	1,897	**—**	—	**—**	69	**—**	—	**4,304**	249	**2,971**	—	**8,398**	2,215
Between 2 and 5 years	**4,589**	2,737	**—**	—	**152**	287	**—**	—	**10,807**	11,386	**—**	2,791	**15,548**	17,201
Within 5 years	**13,400**	11,197	**—**	—	**300**	865	**934**	366	**15,293**	13,192	**2,971**	2,791	**32,898**	28,411
More than 5 years	**1,017**	894	**520**	454	**155**	162	**—**	—	**4,602**	8,493	**—**	—	**6,294**	10,003
	14,417	12,091	**520**	454	**455**	1,027	**934**	366	**19,895**	21,685	**2,971**	2,791	**39,192**	38,414

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

	2020	2019
Hong Kong dollar	**0.63% to 0.93%**	3.08% to 3.37%
Renminbi	**1.20% to 4.98%**	1.20% to 4.90%
Euro	**3.72% to 5.17%**	3.72% to 5.78%
United States dollar	**0.69% to 2.59%**	2.64% to 4.80%
Brazilian Real	**4.00% to 4.85%**	5.15% to 5.89%

(i) The carrying amounts of bank and other borrowings are denominated in the following currencies:

	2020 HK$'million	2019 HK$'million
Hong Kong dollar	**3,813**	3,208
Renminbi	**9,442**	8,887
Euro	**1,711**	1,834
United States dollar	**23,106**	22,749
Brazilian Real	**1,120**	1,736
	39,192	38,414

34. LEASE LIABILITIES

	2020 HK$'million	2019 HK$'million
Lease liabilities payable as at 31 December:		
Within 1 year	76	84
Between 1 and 2 years	3	34
Between 2 and 5 years	16	13
More than 5 years	867	871
	962	1,002
Less: Amount due for settlement with 12 months shown under current liabilities	(76)	(84)
Amount due for settlement after 12 months shown under non-current liabilities	886	918

The lease liabilities ranged from 1 to 35 years, depending on the classes of assets rented. The Group does not have a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The Group's weighted average incremental borrowing rate for lease liabilities as at 31 December 2020 is 5.28% (2019: 5.26%).

Lease liabilities of HK$962 million (2019: HK$1,002 million) are recognised with related right-of-use assets of HK$729 million (2019: HK$879 million) as at 31 December 2020. 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 3.1(iii).

35. OTHER NON-CURRENT LIABILITIES

	2020 HK$'million	2019 HK$'million
TCP Concession Liabilities (Note (a))	**3,352**	3,610
Royalty Provision (Note (b))	**891**	925
Net deferred benefit obligation (Note (c))	**496**	420
Deferred income	**437**	420
Others	**53**	46
	5,229	5,421

Notes:

(a) Amount represents the liabilities arising from the concession arrangements for a port located in Brazil with the local port authority due by the TCP Group (the "TCP Concession Liabilities"). The relevant concession arrangement allows for operations in the relevant port for up to 2048. Pursuant to the said concession arrangements, including the amendments thereto, with the relevant authority, concession payment is payable on a monthly basis and is adjusted from time to time, among other conditions, with reference to an official inflation index in Brazil. The TCP Concession Liabilities are designated as FVTPL at initial recognition and subsequently measured at fair value, with any gains or losses arising on remeasurement (other than those attributable to changes in credit risks of these liabilities) recognised in profit or loss. The current portion of the TCP Concession Liabilities amounting to HK$80 million (2019: HK$104 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$79 million (2019: HK$59 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 obligation for a defined benefit plan.

The present value of the defined benefit plan liability 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 obligation were carried out as at 31 December 2020 by an independent qualified professional valuer. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Of the expense for the year, HK$24 million (2019: HK$20 million) has been included in administrative expenses.

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

36. DEFERRED TAXATION

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

	2020 HK$'million	2019 HK$'million
As at 1 January	**(3,408)**	(3,294)
Exchange adjustments	**(83)**	163
Obtaining control of a non-wholly owned subsidiary (note 39)	**(485)**	—
Charged to consolidated statement of profit or loss (note 13)	**(86)**	(277)
As at 31 December	**(4,062)**	(3,408)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$2,076 million (2019: HK$1,723 million) to be carried forward against future taxable income. These amount expire in the following years:

	2020 HK$'million	2019 HK$'million
2020	—	122
2021	**158**	148
2022	**473**	430
2023	**685**	590
2024	**468**	433
2025	**292**	—
	2,076	1,723

36. 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	
	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million
As at 1 January	(1,516)	(1,059)	(1,578)	(1,835)	(574)	(460)	(3,668)	(3,354)
Exchange adjustments	(100)	30	48	128	(29)	13	(81)	171
Obtaining control of a non-wholly owned subsidiary (note 39)	—	—	(485)	—	—	—	(485)	—
(Charged)/credited to profit or loss	(220)	(487)	106	129	(134)	(127)	(248)	(485)
As at 31 December	(1,836)	(1,516)	(1,909)	(1,578)	(737)	(574)	(4,482)	(3,668)

Deferred tax assets

	Provision		Others		Total	
	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million	2020 HK$'million	2019 HK$'million
As at 1 January	20	9	240	51	260	60
Exchange adjustments	—	1	(2)	(9)	(2)	(8)
(Charged)/credited to profit or loss	(8)	10	170	198	162	208
As at 31 December	12	20	408	240	420	260

37. CREDITORS AND ACCRUALS

	2020 HK$'million	2019 HK$'million
Trade creditors (Note (a))	**312**	338
Put Option Liability (Note (b))	—	818
Amounts due to fellow subsidiaries (Note (c))	**51**	253
Amounts due to associates (Note (c))	**364**	101
Other payables and accruals	**3,425**	3,197
	4,152	4,707

Notes:

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

	2020 HK$'million	2019 HK$'million
0 - 90 days	**260**	280
91 - 180 days	**15**	14
181 - 365 days	—	6
Over 365 days	**37**	38
	312	338

(b) Amount as at 31 December 2019 represented gross obligation arising from a put option issued to non-controlling equity holders of TCP Group during the year ended 31 December 2018 ("Put Option Liability"), pursuant to which the Sellers have the right to sell to, and require the Group to acquire all of the Seller's remaining equity interest of the TCP Group in total of 845,703 shares. During the year, the Sellers exercised the put option at a cash, consideration amounting US$107 million (equivalent to approximately HK$835 million).

(c) The balances are unsecured, interest-free and repayable on demand.

38. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 HK$'million	2019 HK$'million
Earnings before finance costs, net, taxation and share of profits less losses of associates and joint ventures	**4,225**	9,243
Adjustments for:		
Depreciation and amortisation	**2,033**	1,996
Increase in fair value of investment properties	**(149)**	(105)
Increase in fair value of financial assets at FVTPL	**(256)**	(513)
Increase in fair value of financial liabilities at FVTPL	**765**	414
Impairment loss recognised in respect of goodwill	**621**	—
Net allowance for credit losses of trade debtors and other debtors	**510**	38
Gain on resumption of land parcels at Qianhai	**—**	(4,820)
Gain on resumption of land parcels at Shantou	**(1,722)**	(688)
Loss/(gain) on disposal of property, plant and equipment	**120**	(17)
Gain on discontinuance of equity accounting for a joint venture	**(960)**	—
Gain on deemed disposal of interest in a joint venture	**—**	(440)
Operating profit before working capital changes	**5,187**	5,108
Increase in inventories	**(51)**	(15)
Decrease/(increase) in debtors, deposits and prepayments	**163**	(490)
(Decrease)/increase in creditors and accruals	**(763)**	351
Net cash inflow from operations	**4,536**	4,954

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

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Bank and other borrowings									
	Bank loans HK$'million	Loans from a non-controlling equity holder of a subsidiary HK$'million	Loans from fellow subsidiaries HK$'million	Loan from immediate holding company HK$'million	Notes payable HK$'million	Lease liabilities HK$'million	Interest payable (included in creditors and accruals) HK$'million	Dividend payable to non-controlling equity holders of subsidiaries (included in creditors and accruals) HK$'million	Dividend payable to equity holders of the Company HK$'million	Total HK$'million
At 1 January 2020	12,091	454	1,027	366	24,476	1,002	597	145	—	40,158
Financing cash flows	1,957	—	(604)	491	(1,551)	(166)	(1,750)	(687)	(742)	(3,052)
Non-cash changes										
Obtaining control of a non-wholly owned subsidiary	173	—	—	—	—	—	—	—	—	173
Exchange adjustments	196	66	29	55	(59)	72	(66)	(15)	—	278
Issue of shares in lieu of dividends	—	—	—	—	—	—	—	—	(1,907)	(1,907)
Interest expense	—	—	3	22	—	54	1,784	—	—	1,863
Declaration of dividend	—	—	—	—	—	—	—	671	2,649	3,320
At 31 December 2020	14,417	520	455	934	22,866	962	565	114	—	40,833

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

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

	Bank and other borrowings										
	Bank loans HK$'million	Loans from a non-controlling equity holder of a subsidiary HK$'million	Loans from fellow subsidiaries HK$'million	Loan from an associate HK$'million	Loan from immediate holding company HK$'million	Notes payable HK$'million	Lease liabilities HK$'million	Interest payable (included in creditors and accruals) HK$'million	Dividend payable to non-controlling equity holders of subsidiaries (included in creditors and accruals) HK$'million	Dividend payable to equity holders of the Company HK$'million	Total HK$'million
At 31 December 2018	12,280	446	634	276	—	25,220	—	618	51	—	39,525
Adjustment upon application of HKFRS 16	—	—	—	—	—	—	1,098	—	—	—	1,098
At 1 January 2019 (restated)	12,280	446	634	276	—	25,220	1,098	618	51	—	40,623
Financing cash flows	10	—	413	(276)	371	(617)	(170)	(1,944)	(213)	(1,639)	(4,065)
Non-cash changes											
Exchange adjustments	(199)	8	(20)	—	(5)	(168)	(23)	—	38	—	(369)
Issue of shares in lieu of dividends	—	—	—	—	—	—	—	—	—	(1,544)	(1,544)
Interest expense	—	—	—	—	—	41	54	1,923	—	—	2,018
Declaration of dividend	—	—	—	—	—	—	—	—	269	3,183	3,452
New leases entered into (net) and lease modification	—	—	—	—	—	—	43	—	—	—	43
At 31 December 2019	12,091	454	1,027	—	366	24,476	1,002	597	145	—	40,158

39. OBTAINING CONTROL OF A NON-WHOLLY OWNED SUBSIDIARY

For the year ended 31 December 2020

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

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

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

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

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

Further details of the Daxie Port are set out below:

Fair value of identifiable assets acquired and liabilities assumed

	HK$'million
Property, plant and equipment (note 17)	2,789
Right-of-use assets (note 18)	1,428
Inventories	10
Debtors, deposits and prepayments	146
Other financial assets	21
Cash and bank balances	367
Bank and other borrowings	(173)
Deferred tax liabilities	(485)
Creditors and accruals	(140)
Taxation payable	(16)
Total identifiable net assets	3,947

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

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

For the year ended 31 December 2020 (continued)

Net cash inflow arising on obtaining control of Daxie Port

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

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

Goodwill arising on obtaining control of Daxie Port

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

Gain on discontinuance of equity accounting for a joint venture

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

Goodwill arose on obtaining control of Daxie Port because the cost of the combination included a control premium and the future profitability as at the date of obtaining control. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

Included in the profit and revenue of the Group for the year ended 31 December 2020 were net profit of HK$31 million and revenue of HK$83 million generated by Daxie Port.

Had the above combination been completed on 1 January 2020, total group revenue for the year ended 31 December 2020 would have been HK$9,812 million, and profit for the year ended 31 December 2020 would have been HK$6,192 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the combination been completed on 1 January 2020, nor is it intended to be a projection of future results.

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

For the year ended 31 December 2020 (continued)

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

- calculated depreciation of property, plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the accounting for the acquisition rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the combination.

40. COMMITMENTS AND CONTINGENT LIABILITIES

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

	2020 HK$'million	2019 HK$'million
Group		
Property, plant and equipment and intangible assets	**2,348**	3,312
Joint ventures		
Property, plant and equipment	**23**	54
	2,371	3,366

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

	2020 HK$'million	2019 HK$'million
Group		
Ports projects	**1,194**	7,545

40. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

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

	2020 HK$'million	2019 HK$'million
Within one year	316	279
In the second year	146	174
In the third year	99	127
In the fourth year	81	91
In the fifth year	73	82
After the fifth year	184	270
	899	1,023

(d) Contingent liabilities

(i) As at 31 December 2020, 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$253 million (2019: HK$306 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 2020 and 2019, 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$84 million (2019: HK$90 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$223 million (2019: HK$224 million) and the aggregate amount utilised by the relevant related party amounted to HK$134 million (2019: HK$132 million).

The directors of the Company assessed the risk of default of the related party and the associates 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 2020 and 2019, 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 and estimate a reliable amount of the claim at the current stage.

41. RELATED PARTY TRANSACTIONS

The directors of the Company regard CMG, a state-owned enterprise registered in the PRC and is controlled by the PRC government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. Other than as disclosed elsewhere in these consolidated financial statements, a summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions as at 31 December 2020 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	2020 HK$'million	2019 HK$'million
Rental income from	(i)		
– immediate holding company		—	3
– fellow subsidiaries		**42**	49
– an associate		**1**	—
– joint ventures		**15**	6
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		**4**	3
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		**7**	3
Service income from	(ii)		
– an intermediate holding company		—	2
– immediate holding company		**1**	—
– fellow subsidiaries		**134**	69
– associates		**59**	33
– joint ventures		**67**	85
– related parties		—	18
Service fees paid to	(iii)		
– fellow subsidiaries		**47**	68
– associates		**17**	19
– joint ventures		**18**	21
– a related party		**3**	1

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2020 HK$'million	2019 HK$'million
Interest income from			
– a fellow subsidiary	(iv)	**15**	8
– associates	(v)	**149**	2
– a joint venture	(v)	**69**	71
– a related party	(vi)	—	21
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		**22**	1
– fellow subsidiaries		**23**	33
– an associate		—	8

Notes:

(i) The Group rented certain vessels and properties from and leased office premises and residential units to the CMG Group 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.

As at 31 December 2020, the Group has recognised an addition of right-of-use-assets of HK$90 million (2019: HK$17 million) and lease liabilities of HK$90 million (2019: HK$17 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 services to the Group. The service fees were charged with reference to market rates.

(iv) As at 31 December 2020, the Group placed deposits of HK$1,365 million (2019: HK$644 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 1.76% (2019: 1.61% to 3.30%) per annum.

(v) Interest income was charged at interest rates as specified in note 23 on the outstanding advances to associates and a joint venture.

(vi) The related parties is an associate of CMG. Interest income was charged at a floating interest rate per annum on the outstanding advance to a related party. The outstanding amount has been fully settled by the related party during the year ended 31 December 2019.

(vii) Interest expenses were charged at interest rates as specified in note 33 on the outstanding loans from immediate holding company and fellow subsidiaries.

(viii) During the year ended 31 December 2019, 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 relevant lease, the Group recognised right-of-use assets of HK$217 million. Lease payment of HK$217 million has been made by the Group during the prior year. As at 31 December 2020, the corresponding carrying amount of the right-of-use asset is HK$211 million (2019: HK$214 million).

(ix) During the year ended 31 December 2020, the Group acquire property, plant and equipment of HK$2 million (2019: HK$5 million) from fellow subsidiaries.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes: (continued)

(x) Pursuant to the relevant agreements entered into between the Group, QHSH and the CMG Group, the Group's participation in the development of the Qianhai-Shekou Free Trade Zone includes:

(1) resumption of certain land parcels held by two subsidiaries of the Group in Qianhai, Shenzhen, the PRC, by QHSH. The compensation for the resumption includes cash of RMB5,693 million (equivalent to approximately HK$6,457 million) and a piece of land located in Dachan Bay Port Phase II, Shenzhen, the PRC;

(2) the establishment of a joint venture company (the "Joint Venture Company") by (i) an entity established in the PRC in which the Group holds 14% equity interest ("A1 Company", with the other 86% equity interest being held by certain members of the CMG Group) and (ii) a subsidiary of QHSH; and

(3) the injection into the Joint Venture Company of certain land parcels by A1 Company and injection of cash of RMB1,407 million (equivalent to approximately HK$1,596 million) into A1 Company by the Group, of which RMB1,190 million (equivalent to approximately HK$1,350 million) was injected into the Joint Venture Company.

During the year ended 31 December 2019, QHSH has assigned the land and related debt to a subsidiary of A1 Company ("A2 Company") and the Group has received the compensation in cash of RMB5,693 million (equivalent to approximately HK$6,457 million) from A2 Company. As at 31 December 2020, the Group has not received the said piece of land in Dachan Bay.

Other parties' participation in the Qianhai-Shekou Free Trade Zone include, among others:

(1) the injection into the Joint Venture Company of certain land parcels and injection of cash of RMB8,643 million (equivalent to approximately HK$9,803 million) into A1 Company by certain members of the CMG Group, of which RMB7,310 million (equivalent to approximately HK$8,291 million) has been injected into the Joint Venture Company; and

(2) the injection into the Joint Venture Company of certain land parcels by QHSH.

(xi) As at 31 December 2020, the Group placed deposits of HK$1,200 million (2019: HK$886 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the year, interest income from CMB amounted to HK$16 million (2019: HK$18 million).

There was no borrowing from CMB as at 31 December 2020 (2019: nil).

The balances with entities within CMG Group as at 31 December 2020 and 31 December 2019 are disclosed in notes 23, 26, 33 and 37.

Save and except for those connected transactions or continuing connected transactions under the Listing Rules set out under "Connected Transactions" in the section "Report of the Directors" in this annual report, the other transactions as set out in this note 41(a) were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

(c) Balance and transaction with a non-controlling equity holder of a subsidiary

	2020 **HK$'million**	2019 HK$'million
Interest expense paid (Note)	**21**	20

Note: Interest expense was charged at interest rate as set out in note 33 on the outstanding loans from a non-controlling equity holder of a subsidiary.

The balance with a non-controlling equity holder of a subsidiary as at 31 December 2020 and 2019 are disclosed in note 33.

(d) Key management compensation

	2020 **HK$'million**	2019 HK$'million
Salaries and other short-term employee benefits	**24**	35

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists only those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2020 %	2019 %	2020 %	2019 %	
China Merchants Container Services Limited	Hong Kong	HK$500,000	—	—	100.00	100.00	Provision of container terminal services and ports transportation
China Merchants Holding (International) Information Technology Co., Ltd. (Note (b))	PRC	RMB50,000,000	76.84	76.84	—	—	Provision of computer network services
China Merchants International Terminals (Ningbo) Limited	British Virgin Islands	US$1	100.00	100.00	—	—	Investment holding
China Merchants International 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 Terminal (Qingdao) Company Ltd. (Note (b))	PRC	US$44,000,000	—	—	90.10	90.10	Port, container terminal and logistics business
China Merchants Bonded Logistics Co., Limited (Note (b))	PRC	RMB700,000,000	—	—	60.00	60.00	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
CMH International (China) Investment Co., Ltd. (Note (a))	PRC	US$67,400,000	100.00	100.00	—	—	Investment holding
Colombo International Container Terminals Limited	Republic of Sri Lanka	US$150,000,088	85.00	85.00	—	—	Provision of container terminal services
Guangdong Yide Port Limited (Note (b))	PRC	RMB216,000,000	—	—	51.00	51.00	Port operations

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company Directly 2020 %	Directly 2019 %	Indirectly 2020 %	Indirectly 2019 %	Principal activities
Hambantota International Port Group (Private) Limited	Republic of Sri Lanka	US$1,145,480,000	—	—	**65.00**	85.00	Port development, management and operation
Hambantota International Port Services Company (Private) Limited (Note (d))	Republic of Sri Lanka	US$606,000,000	—	—	**37.70**	49.30	Port management
Lomé Container Terminal S.A. (Note (c))	Togolese Republic	XOF200,000,000	—	—	**35.00**	35.00	Provision of container terminal services
Mega Shekou Container Terminals Limited	British Virgin Islands	US$120	—	—	**80.00**	80.00	Investment holding
Ningbo Daxie China Merchants International Terminals Co., Ltd. (Notes (b) and (e))	PRC	RMB1,209,090,000	—	N/A	**45.00**	N/A	Port and container terminal business
Shantou China Merchants Port Group Co., Ltd.	PRC	RMB125,000,000	—	—	**60.00**	60.00	Port operations
Shekou Container Terminals Ltd. (Note (a))	PRC	HK$618,201,150	—	—	**80.00**	80.00	Operation of berths No. 1 & 2 in Shekou, the PRC
Shekou Container Terminals (Phase II) Company Limited (Note (a))	PRC	RMB608,549,000	—	—	**80.00**	80.00	Operation of berths No. 3 & 4 in Shekou, the PRC
Shekou Container Terminals (Phase III) Company Limited (Note (a))	PRC	RMB1,276,000,000	—	—	**80.00**	80.00	Operation of berths No. 5 to 9 in Shekou, the PRC
Shenzhen China Merchants Qianhaiwan Property Company Limited	PRC	RMB200,000,000	—	—	**100.00**	100.00	Property holding
Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. (Note (a))	PRC	RMB3,000,000	**100.00**	—	—	100.00	Provision of services on ports construction
Shenzhen Haixing Harbour Development Company Ltd. (Note (b))	PRC	RMB530,729,167	—	—	**67.00**	67.00	Provision of container terminal services

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2020 %	2019 %	2020 %	2019 %	
Shenzhen Jinyu Rongtai Investment Development Company Limited	PRC	RMB800,000,000	—	—	100.00	100.00	Property holding
Shenzhen Mawan Port Service Co., Ltd. (Notes (b) and (f))	PRC	RMB200,000,000	N/A	—	N/A	70.00	Operation of berth No. 5 in Mawan, Shenzhen, the PRC (2019)
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	—	—	70.00	70.00	Operation of berths No.5 to 7 in Mawan, Shenzhen, the PRC
Shenzhen Mawan Wharf Co., Ltd. (Note (b))	PRC	RMB200,000,000	—	—	70.00	70.00	Operation of berth No. 0 in Mawan, Shenzhen, the PRC
TCP Participações S.A.	Federative Republic of Brazil	Brazilian Real 68,851,561	—	—	77.45	67.45	Provision for container terminal services
Xia Men Bay China Merchants Terminals Co., Ltd. (Notes (b) and (d))	PRC	RMB444,500,000	—	—	31.00	31.00	Provision of terminal services and ports transportation
Zhangzhou China Merchants Port Co., Ltd. (Note (b))	PRC	RMB1,000,000,000	—	—	60.00	60.00	Operation of berths No. 3 to 6 in the Zhangzhou Economic Development Zone, Fujian Province, the PRC
Zhangzhou China Merchants Tugboat Company Limited (Note (b))	PRC	RMB15,000,000	—	—	70.00	70.00	Operation of tugboats in the Zhangzhou Economic Development Zone, Fujian Province, the PRC
安運捷碼頭倉儲服務(深圳)有限公司 (Note (a))	PRC	RMB60,600,000	—	—	80.00	80.00	Holding of certain pieces of land in Shekou, the PRC

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(a) Foreign investment enterprises.

(b) Sino-foreign joint ventures.

(c) This entity is considered to be a subsidiary of the Company despite that the Group holds effective equity interest of 35% therein as the Group has the power to appoint and remove the majority of the executive committee of the entity, which is empowered to direct the relevant activities of control of the investee by virtue of the shareholders' agreement.

(d) These entities are considered to be subsidiaries of the Company despite that the Group holds less than half of the equity interest therein as the Group has the power to appoint and remove the majority of the Board of Directors of the relevant entities and holds more than half of the voting rights at the relevant Board of Directors' and shareholders' meetings of the respective entities by virtue of agreements with other investors.

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

(f) This entity was merged and absorbed during the year.

43. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest indirectly held by the Company		Principal activities
		2020 %	2019 %	
Asia Airfreight Terminal Company Limited	Hong Kong	20.00	20.00	Airfreight 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 (formerly known as Dalian Port (PDA) Company Limited) (shares listed on the HKSE and the Shanghai Stock Exchange) (Note (a))	PRC	21.05	21.05	Provision of terminal business 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

43. PARTICULARS OF PRINCIPAL ASSOCIATES (CONTINUED)

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest indirectly held by the Company		Principal activities
		2020	2019	
		%	%	
Shanghai International Port (Group) Co., Ltd. (A shares listed on the Shanghai Stock Exchange) (Note (a))	PRC	**26.77**	26.77	Ports and container terminal business and related services
Shenzhen China Merchants Qianhai Assets Development Co., Ltd. (Note (b))	PRC	**14.00**	14.00	Property development and management in Qianhai trade zone
Terminal Link SAS	French Republic	**49.00**	49.00	Operations of container terminals in Europe, Mediterranean, Africa, Americas and Asia
Tianjin Haitian Bonded Logistics Co., Ltd. (Note (a))	PRC	**49.00**	49.00	Provision of container terminal services and warehouse services
Tianjin Port Container Terminal Co., Ltd. (Note (b))	PRC	**7.31**	7.31	Ports and container terminal business
Tin-Can Island Container Terminal Ltd.	Federal Republic of Nigeria	**28.50**	28.50	Provision of container terminal services
Zhanjiang Port (Group) Co., Ltd. (Note (a))	PRC	**27.58**	27.58	Ports and container terminal business

Note:

(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.

44. PARTICULARS OF PRINCIPAL JOINT VENTURES

Name of joint venture	Issued capital/ registered capital	Proportion of effective ownership interest held by the Company indirectly		Principal activities
		2020 %	2019 %	
Euro-Asia Oceangate S.àr.l.	US$940,141,587.60	40.00	40.00	Ports and container terminal business
Ningbo Daxie China Merchants International Terminals Co., Ltd. (Notes (a) and (b))	RMB1,209,090,000	N/A	45.00	Ports and container terminal business
PONI Corporate Trust Group	AUD118,087,000	50.00	50.00	Management of port operation and port development
PONI Property Trust Group	AUD550,103,000	50.00	50.00	Provision of finance for port operation and property investment
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (Note (a))	RMB1,400,000,000	25.00	25.00	Ports and bulk cargo terminal business
Qingdao Qianwan United Container Terminal Co., Ltd.	RMB2,000,000,000	50.00	50.00	Ports and container terminal business
Qingdao Qianwan West Port United Terminal Co., Ltd.	RMB500,000,000	49.00	49.00	Ports and bulk cargo terminal business

Notes:

(a) Sino-foreign joint ventures.

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

Under the relevant shareholders' agreement, decisions of relevant activities of the entities above require unanimous consent from relevant joint venture partner(s). Accordingly, neither the Group nor the other venture partners(s) has the ability to control the relevant entities unilaterally and each of the entity above is considered as jointly controlled by the Group and the relevant joint venture partner(s).

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'million	2019 HK$'million
ASSETS		
Non-current assets		
Property, plant and equipment	**402**	418
Interests in subsidiaries	**77,837**	69,528
Interests in associates	**588**	588
Prepayment	**6**	6
	78,833	70,540
Current assets		
Debtors, deposits and prepayments	**17**	11
Advances to subsidiaries	**1,697**	2,071
Advances to associates	**69**	69
Cash and bank balances	**3,702**	1,650
	5,485	3,801
Total assets	**84,318**	74,341
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**42,521**	40,614
Reserves (Note)	**3,364**	3,119
Proposed dividend (Note)	**1,867**	2,000
Total equity	**47,752**	45,733
LIABILITIES		
Non-current liability		
Bank and other borrowings	**5,547**	3,101
Current liabilities		
Advances from subsidiaries	**25,455**	20,993
Creditors and accruals	**381**	391
Bank and other borrowings	**5,183**	4,123
	31,019	25,507
Total liabilities	**36,566**	28,608
Total equity and liabilities	**84,318**	74,341
Net current liabilities	**(25,534)**	(21,706)
Total assets less current liabilities	**53,299**	48,834

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Bai Jingtao
DIRECTOR

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

Note: The reserves of the Company at 31 December 2020 and 2019 are as follows:

	Capital reserve HK$'million (Note (i))	Retained earnings HK$'million	Total HK$'million
As at 1 January 2020	**2,340**	**2,779**	**5,119**
Profit and total comprehensive income for the year	**—**	**2,748**	**2,748**
Contribution from immediate holding company	**13**	**—**	**13**
Dividends (Note (ii))	**—**	**(2,649)**	**(2,649)**
As at 31 December 2020	**2,353**	**2,878**	**5,231**
Retained earnings as at 31 December 2020 representing:			
Reserves		**1,011**	
Proposed dividend		**1,867**	
		2,878	
As at 1 January 2019	2,340	3,135	5,475
Profit and total comprehensive income for the year	—	2,827	2,827
Dividends (Note (ii))	—	(3,183)	(3,183)
As at 31 December 2019	2,340	2,779	5,119
Retained earnings as at 31 December 2019 representing:			
Reserves		779	
Proposed dividend		2,000	
		2,779	

Notes:

(i) 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.

(ii) Dividends recognised as distribution in the years are as follows:

	2020 HK$'million	2019 HK$'million
Interim 18 HK cents (2019: 22 HK cents) per ordinary share	**649**	752
2019 final of 58 HK cents (2019: 2018 final of 73 HK cents) per ordinary share	**2,000**	2,431
	2,649	3,183

46. EVENTS AFTER THE REPORTING PERIOD

(i) Deemed disposal of a subsidiary engaged in providing technology solutions

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

With reference to the Injection Agreement, Dalian Port Container Development Co., Ltd. ("Dalian Port Container"), Dalian Port Jifa Logistics Co., Ltd. ("Dalian Port Jifa") and Yingkou Port Group Co., Ltd. ("Yingkou Port Group"), each a fellow subsidiary of the Group, being new subscribers agreed to make capital contribution to CMHIT by way of equity transfer from Dalian Port Net Co., Ltd. (49.63% owned by Dalian Port Container and 29.40% owned by Dalian Port Jifa) and Yingkou Gangxin Technology Co., Ltd., a wholly-owned subsidiary of Yingkou Port Group. The registered capital of CMHIT will be increased from RMB50 million (equivalent to approximately HK$59 million) to RMB88 million (equivalent to approximately HK$104 million). Meanwhile the Company's equity interests in CMHIT will be decreased from 76.84% to 43.74% and cease to be a subsidiary of the Company after the capital injection by the new subscribers.

Details of the transaction are set out in the announcement of the Company dated 18 December 2020 and 24 December 2020. This transaction has been completed in February 2021.

(ii) Deemed disposal of an associate engaged in port operation in Dalian, the PRC

In January 2021, the merger by absorption through share swap (the "Merger") between Liaoning Port Co., Ltd. (formerly known as "Dalian Port (PDA) Company Limited", hereinafter referred to as "Liaoning Port"), an associate of the Group, and Yingkou Port Liability Co., Ltd. and fundraising and connected transactions have been approved by the China Securities Regulatory Commission.

Upon completion of the Merger, Liaoning Port's total share capital increased from 12,894,535,999 shares to 22,623,429,453 shares, which comprises 17,464,713,454 A shares and 5,158,715,999 H shares. The nature of the additional shares involved in the Merger is listed A shares without trading moratorium, and the additional shares without trading moratorium will be tradable on 9 February 2021. The Group's interest in Liaoning Port will be diluted from 21.05% to 12.00%. The investment in Liaoning Port continues to account for as an interest in an associate as the directors consider the Group has significant influence over the investee.

The Merger has been completed in February 2021.

(iii) Formation of a joint venture engaged in land redevelopment in Djibouti

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

Pursuant to the Investment Agreement, the Group shall have a 23.5% interest in the Red Sea World Joint Venture and shall provide a capital contribution on a pro rata basis. The Red Sea World Joint Venture is accounted for as using equity method as the directors of the Company consider the Group has significant influence over the Red Sea World Joint Venture.

Up to the date these consolidated financial statements were authorised for issuance, the formation has not yet been completed.

Corporate Information

BOARD OF DIRECTORS

Mr. Fu Gangfeng *(Chairman)*
(resigned on 13 February 2020)

Mr. Deng Renjie *(Chairman)*
(appointed on 13 February 2020)

Mr. Su Jian
(resigned on 22 March 2021)

Mr. Liu Weiwu
(appointed on 22 March 2021)

Mr. Xiong Xianliang

Mr. Bai Jingtao *(Managing Director)*

Mr. Ge Lefu

Mr. Wang Zhixian

Mr. Zheng Shaoping

Mr. Kut Ying Hay*

Mr. Lee Yip Wah Peter*

Mr. Li Ka Fai David*

Mr. Bong Shu Ying Francis*

* independent non-executive director

REGISTERED OFFICE

38th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

Bank of China
China Development Bank
China Construction Bank
China Merchants Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISER

Linklaters

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

WEBSITE

http://www.cmport.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "**AGM**") of China Merchants Port Holdings Company Limited (the "**Company**") will be held at Granville & Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 1 June 2021 at 9:30 a.m. for the following purposes:

1 To receive and consider the Audited Consolidated Financial Statements for the year ended 31 December 2020 together with the Report of the Directors and the Independent Auditor's Report.

2 To declare a final dividend of 51 HK cents per share for the year ended 31 December 2020 in scrip form with cash option.

3 A. Each as a separate resolution, to re-elect the following retiring directors of the Company (the "**Directors**"):

(a) To re-elect Mr. Liu Weiwu as a Director;

(b) To re-elect Mr. Xiong Xianliang as a Director;

(c) To re-elect Mr. Ge Lefu as a Director;

(d) To re-elect Mr. Wang Zhixian as a Director; and

(e) To re-elect Mr. Zheng Shaoping as a Director.

B. To authorise the board of Directors (the "**Board**") to fix the remuneration of the Directors.

4 To re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company and to authorise the Board to fix its remuneration.

5 To consider and, if thought fit, to pass with or without modifications the following resolutions as ordinary resolutions:

Ordinary Resolutions

A. "**THAT:**

(a) subject to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the terms and conditions of the share option scheme adopted by the shareholders of the Company on 9 December 2011 (the "**Share Option Scheme**"), a mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (c) below) all the powers of the Company to grant options to subscribe for shares of the Company and/or to make or grant offers of options under the Share Option Scheme that would or might require shares of the Company to be allotted and/or options to be granted under the Share Option Scheme;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to grant options and/or to make offers of options under the Share Option Scheme which would or might require the exercise of such power after the end of the Relevant Period;

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company's articles of association (the "**Articles of Association**") or any applicable laws to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

B. "THAT:

(a) subject to paragraph (c) of this Resolution and pursuant to Sections 140 and 141 of the Companies Ordinance, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;

(c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association, shall not exceed 20 per cent. of the total number of shares of the Company in issue as at the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution) and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

C. "**THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to buy back its own shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and recognised by Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the total number of shares of the Company which may be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the total number of the shares of the Company in issue on the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

D. "**THAT** conditional upon Resolutions numbered 5B and 5C set out in the notice convening this meeting being passed, the total number of shares of the Company which are bought back by the Company under the authority granted to the Directors as mentioned in Resolution numbered 5C set out in the notice convening this meeting shall be added to the total number of shares of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution numbered 5B set out in the notice convening this meeting, provided that the number of shares bought back by the Company shall not exceed 10 per cent. of the total number of shares of the Company in issue on the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution)."

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

Hong Kong, 28 April 2021

Registered Office:
38th Floor, China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened pursuant to the above notice is entitled to appoint one or more proxies to attend, speak and vote in his place. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the meeting or at any adjournment thereof.

3. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 26 May 2021 to 1 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2021.

   Subject to the approval of the shareholders at the meeting, the proposed final dividend will be despatched to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Wednesday, 9 June 2021. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 9 June 2021.

4. Concerning resolutions numbered 5B and 5D above, the Board wishes to state that it has no immediate plans to issue any new shares in the Company. The ordinary resolution is being sought from members as a general mandate in compliance with sections 140 and 141 of the Companies Ordinance and the Listing Rules.

5. Concerning resolution numbered 5C above, the Board wishes to state that it has no immediate plans to buy back any existing shares pursuant to the relevant mandate. Approval is being sought from members as a general mandate to be given to the Directors to buy back shares. The Explanatory Statement required by the Listing Rules in connection with the proposed buy- back mandate will be despatched to members together with the notice of the meeting.

6. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the Annual General Meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote at the Annual General Meeting pursuant to Article 54 of the Articles of Association.

7. Taking into account the recent development in relation to the COVID-19 outbreak, the Company will implement the preventive and control measures at the meeting venue of the AGM. Reference should be made to the shareholder circular issued on 28 April 2021 for details. Any person who does not comply with the precautionary measures may be denied entry into the meeting venue. The Company will keep monitoring the evolvement of the COVID-19 outbreak and may implement additional measures as and when appropriate.

8. As at the date of this notice, the Board comprises Mr. Deng Renjie, Mr. Liu Weiwu, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.

CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

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