招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

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

- Throughput of containers handled reached 60.21 million TEUs, up 5.1% (2011: 57.29 million TEUs)
- Throughput of bulk cargoes handled reached 327 million tons, up 0.8% (2011: 325 million tons)
- Profit attributable to equity holders of the Company
  - √ HK$3,818 million, down 31.7% (2011: HK$5,589 million (as restated))
  - √ HK$3,373 million, down 17.1%, if net exceptional gains were excluded (2011: HK$4,068 million (as restated))
  - √ HK$3,518 million, up 6.5%, from ports operation (2011: HK$3,304 million (as restated))
- Basic earnings per share totaled 153.26 HK cents, down 32.2% (2011: 225.89 HK cents (as restated))
- Final dividend of 48 HK cents per share (2011: 68 HK cents per share)

2012 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012** *HK$'million*	**2011** *HK$'million (as restated)*
Revenue	2	11,022	9,470
Cost of sales		(6,687)	(5,418)
Gross profit		4,335	4,052
Other gains, net	4	1,787	1,949
Other income	4	250	108
Distribution costs		(61)	(47)
Administrative expenses		(1,241)	(1,177)
Operating profit		5,070	4,885
Finance income	6	162	187
Finance costs	6	(1,328)	(1,061)
Finance costs, net	6	(1,166)	(874)
Share of profits less losses of			
Associates		2,754	3,329
Jointly controlled entities		213	346
Profit before taxation		6,871	7,686
Taxation	7	(1,163)	(995)
Profit for the year	5	5,708	6,691
Attributable to:			
Equity holders of the Company		3,818	5,589
Non-controlling interests		1,890	1,102
Profit for the year		5,708	6,691
Dividends	8	1,744	2,424
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		153.26	225.89
Diluted (HK cents)		153.09	225.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 *HK$'million*	2011 *HK$'million* *(as restated)*
Profit for the year	5,708	6,691
Other comprehensive income/(expense)		
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	166	2,116
Reclassification of reserves upon ceasing to control certain subsidiaries	(170)	—
Increase/(decrease) in fair values of available-for-sale financial assets, net of deferred taxation	157	(454)
Share of reserves of associates	88	(100)
Share of net actuarial loss on defined benefit plans of an associate	(28)	(18)
Share of reserve of a jointly controlled entity	3	45
Total other comprehensive income for the year, net of tax	216	1,589
Total comprehensive income for the year	5,924	8,280
Total comprehensive income attributable to:		
Equity holders of the Company	3,954	6,670
Non-controlling interests	1,970	1,610
	5,924	8,280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	**31 December 2012** *HK$'million*	**31 December 2011** *HK$'million (as restated)*	**1 January 2011** *HK$'million (as restated)*
ASSETS				
Non-current assets				
Goodwill		3,293	3,338	3,298
Intangible assets		4,796	1,253	91
Property, plant and equipment		16,863	18,269	16,835
Investment properties		1,534	4,340	3,662
Land use rights		7,946	9,883	9,683
Interests in associates		28,468	27,394	23,701
Interests in jointly controlled entities		5,172	5,038	4,589
Other financial assets		2,092	1,919	2,418
Other non-current assets		1,130	344	342
Deferred tax assets		120	136	114
		71,414	71,914	64,733
Current assets				
Inventories		89	240	159
Properties under development and held for sale		—	4,380	2,241
Other financial assets		369	963	382
Debtors, deposits and prepayments	10	1,400	2,776	4,484
Taxation recoverable		2	2	—
Cash and bank balances		4,192	6,811	6,352
		6,052	15,172	13,618
Total assets		77,466	87,086	78,351

	Note	31 December 2012 HK$'million	31 December 2011 HK$'million (as restated)	1 January 2011 HK$'million (as restated)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		249	247	246
Reserves		44,097	41,522	36,905
Proposed dividend	8	1,196	1,683	1,918
		45,542	43,452	39,069
Non-controlling interests		8,140	11,355	10,329
Total equity		53,682	54,807	49,398
LIABILITIES				
Non-current liabilities				
Loans from the ultimate holding company		—	985	938
Loans from an intermediate holding company		617	—	587
Other financial liabilities		11,184	16,231	14,144
Other non-current liabilities		1,489	1,049	—
Deferred tax liabilities		1,693	2,304	2,038
		14,983	20,569	17,707
Current liabilities				
Creditors and accruals	11	1,641	3,888	4,382
Loans from the ultimate holding company		986	1,615	1,748
Loans from an intermediate holding company		—	616	—
Other financial liabilities		6,035	5,279	4,855
Taxation payable		139	312	261
		8,801	11,710	11,246
Total liabilities		23,784	32,279	28,953
Total equity and liabilities		77,466	87,086	78,351
Net current (liabilities)/assets		(2,749)	3,462	2,372
Total assets less current liabilities		68,665	75,376	67,105

NOTES:

1 **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of 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.

In 2012, the Group adopted revision and amendments to existing Standards and interpretation issued by HKICPA, which became effective for accounting periods beginning on 1 January 2012.

Except for the adoption of Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" which required restatement of prior years' consolidated financial statements, no other adjustments have been made to the prior years' consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the adoption of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted. As a result of the adoption of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of its investment properties in Hong Kong as the Group is not subject to any major income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of its investment properties in Hong Kong on the basis that the entire carrying amounts of the properties were recovered through use. The Group considers that the investment properties of the Group and its associates in Mainland China are to be consumed substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and that the presumption set out in the amendments to HKAS 12 is rebutted. The Group continues to recognise deferred taxes on changes in fair value of the investment properties of the Group and its associates in Mainland China on the basis that the entire carrying amounts of the properties were recovered through use and hence, the adoption of the amendments to HKAS 12 on the investment properties of the Group and its associates in Mainland China has no effect on the amounts in the consolidated financial statements.

The amendments to HKAS 12 have been adopted retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$27 million and HK$47 million as at 1 January 2011 and 31 December 2011 respectively, with the corresponding adjustment being recognised in retained earnings.

In addition, the adoption of the amendments has resulted in the Group's income tax expense for the year ended 31 December 2012 and 31 December 2011 being reduced by HK$6 million and HK$20 million, respectively, and hence resulted in the profit for the year ended 31 December 2012 and 31 December 2011 being increased by HK$6 million and HK$20 million, respectively.

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2011 and 31 December 2011 are summarised as follows:

	As at 1 January 2011 (as previously stated)	**Effects of adoption of amendments to HKAS12**	**As at 1 January 2011 (as restated)**	**As at 31 December 2011 (as previously stated)**	**Effects of adoption of amendments to HKAS12**	**As at 31 December 2011 (as restated)**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Deferred tax liabilities	(2,065)	27	(2,038)	(2,351)	47	(2,304)
Other assets and liabilities	51,436	—	51,436	57,111	—	57,111
Net assets	49,371	27	49,398	54,760	47	54,807
Share capital, share premium and other reserves	21,862	—	21,862	23,517	—	23,517
Retained earnings	17,180	27	17,207	19,888	47	19,935
Non-controlling interests	10,329	—	10,329	11,355	—	11,355
Total equity	49,371	27	49,398	54,760	47	54,807

The effects of the above changes in accounting policies on the basic and diluted earnings per share for the year ended 31 December 2012 and 31 December 2011 are set out as follows:

	Year ended 31 December	
	2012	**2011**
	HK cents	*HK cents*
Increase in basic earnings per share	0.24	0.77
Increase in diluted earnings per share	0.24	0.77

Other amendments and interpretation to existing Standards effective in 2012 do not have significant impact to the Group.

2 Revenue

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and property development and investment. The following is an analysis of the Group's revenue from its major products and services offered during the year.

	2012	**2011**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	6,653	6,394
Logistics services income (including rental income)	1,830	1,414
Sales of properties and goods	2,499	1,623
Gross rental income from investment properties	40	39
	11,022	9,470

3 Segment information

The key management team of the Company is regarded as the Chief Operation Decision-Maker ("CODM"). CODM 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 a business and geographic perspective.

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

From a business and financial perspective, management assesses the performance of business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations.

Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and jointly controlled entities. Ports operation is further evaluated on a geographic basis, including the Pearl River Delta excluding Hong Kong ("PRD excluding HK"), Hong Kong, Yangtze River Delta and other locations.

Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and its associates.

Port-related manufacturing operations include construction of modular housing and container manufacturing operated by the Group and its associates.

Other operations include property development and investment and corporate function.

Upon the Group ceasing to control 中國南山開發(集團)股份有限公司 (China Nanshan Development (Group) Incorporation, being an unofficial English Name) ("China Nanshan") and its subsidiaries (together the "Nanshan Group"), on 28 December 2012, Nanshan Group excluding 深圳赤灣港航股份有限公司 (Shenzhen Chiwan Wharf Holdings Limited, being an unofficial English Name) ("Shenzhen Chiwan") and its subsidiaries (together the "Shenzhen Chiwan Group") (Nanshan Group excluding Shenzhen Chiwan Group hereinafter be referred to as the "Nanshan Outgoing Group"), China Nanshan is accounted for as an investment in associate of the Group. Thereafter, the performance of the Nanshan Outgoing Group is also evaluated by the CODM as part of the other operations.

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

Over 90% of the revenue of the Group for the years ended 31 December 2012 and 2011 were derived in Mainland China.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the years ended 31 December 2012 or 2011.

As at 31 December 2012, 84% (2011: 92%) non-current assets other than financial instruments and deferred tax assets were located in Mainland China and the remaining balance were located outside of Mainland China.

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of jointly controlled entities" below represent the Group's share of revenue of associates and jointly controlled entities respectively. An analysis of the Group's revenue by segments is as follows:

For the year ended 31 December 2012

	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE									
Company and subsidiaries	5,814	216	—	623	6,653	1,830	720	1,819	11,022
Share of associates	164	802	7,522	466	8,954	584	18,257	762	28,557
Share of jointly controlled entities	1	16	294	1,662	1,973	—	—	673	2,646
Total segment revenue	5,979	1,034	7,816	2,751	17,580	2,414	18,977	3,254	42,225

For the year ended 31 December 2011

	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE									
Company and subsidiaries	5,647	225	—	522	6,394	1,414	407	1,255	9,470
Share of associates	168	855	5,349	429	6,801	582	20,975	609	28,967
Share of jointly controlled entities	—	21	281	1,509	1,811	—	—	725	2,536
Total segment revenue	5,815	1,101	5,630	2,460	15,006	1,996	21,382	2,589	40,973

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows:

	For the year ended 31 December 2012										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	2,530	25	55	294	2,904	1,005	29	1,365	(233)	1,132	5,070
Share of profits less losses of											
- Associates	40	216	1,560	131	1,947	130	546	131	—	131	2,754
- Jointly controlled entities	—	1	77	169	247	—	—	(34)	—	(34)	213
	2,570	242	1,692	594	5,098	1,135	575	1,462	(233)	1,229	8,037
Finance costs, net	(91)	—	—	(57)	(148)	(196)	(15)	(223)	(584)	(807)	(1,166)
Taxation	(480)	(4)	(142)	(32)	(658)	(148)	(34)	(323)	—	(323)	(1,163)
Profit/(loss) for the year	1,999	238	1,550	505	4,292	791	526	916	(817)	99	5,708
Non-controlling interests	(694)	—	—	(80)	(774)	(504)	32	(644)	—	(644)	(1,890)
SEGMENT RESULTS											
Profit/(loss) attributable to equity holders of the Company	1,305	238	1,550	425	3,518	287	558	272	(817)	(545)	3,818
Other information:											
Depreciation and amortisation	863	8	—	147	1,018	189	22	48	7	55	1,284
Capital expenditure	1,258	6	—	1,799	3,063	553	37	443	1	444	4,097

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows: (Continued)

	For the year ended 31 December 2011 (as restated)										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss), excluding gain on deemed disposal of interest in an associate	2,678	31	26	104	2,839	495	(23)	334	(127)	207	3,518
Share of profits less losses of											
- Associates	52	339	1,421	151	1,963	75	1,195	96	—	96	3,329
- Jointly controlled entities	—	—	128	196	324	—	—	22	—	22	346
	2,730	370	1,575	451	5,126	570	1,172	452	(127)	325	7,193
Gain on deemed disposal of interest in an associate											1,367
Finance costs, net	(85)	—	—	(80)	(165)	(144)	(17)	(86)	(462)	(548)	(874)
Taxation	(502)	(5)	(261)	(22)	(790)	(57)	(72)	(76)	—	(76)	(995)
Profit/(loss) for the year	2,143	365	1,314	349	4,171	369	1,083	290	(589)	(299)	6,691
Non-controlling interests	(789)	—	—	(78)	(867)	(253)	(20)	38	—	38	(1,102)
SEGMENT RESULTS											
Profit/(loss) attributable to equity holders of the Company	1,354	365	1,314	271	3,304	116	1,063	328	(589)	(261)	5,589
Other information:											
Depreciation and amortisation	895	8	—	186	1,089	225	13	80	5	85	1,412
Capital expenditure	996	7	—	1,351	2,354	860	48	75	3	78	3,340

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than taxation recoverable and deferred tax assets and all liabilities are allocated to reportable segments other than taxation payable and deferred tax liabilities.

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

	As at 31 December 2012										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	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 jointly controlled entities)	24,215	165	1,848	9,558	35,786	4,119	19	1,444	2,336	3,780	43,704
Interests in associates	1,301	1,656	14,734	1,048	18,739	440	6,597	2,692	—	2,692	28,468
Interests in jointly controlled entities	3	5	833	4,331	5,172	—	—	—	—	—	5,172
Total segment assets	25,519	1,826	17,415	14,937	59,697	4,559	6,616	4,136	2,336	6,472	77,344
Taxation recoverable											2
Deferred tax assets											120
Total assets											77,466
LIABILITIES											
Segment liabilities	(4,910)	(32)	—	(3,380)	(8,322)	(1,296)	—	(7)	(12,327)	(12,334)	(21,952)
Taxation payable											(139)
Deferred tax liabilities											(1,693)
Total liabilities											(23,784)

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

	As at 31 December 2011 (as restated)										
	Ports operation					**Bonded logistics & cold chain operations**	**Port-related manufacturing operations**	**Other operations**			**Total**
	PRD excluding HK	**Hong Kong**	**Yangtze River Delta**	**Other locations**	**Sub-total**			**Property development and investment**	**Corporate function**	**Sub-total**	
	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 jointly controlled entities)	22,932	199	1,719	5,275	30,125	9,646	1,029	12,173	1,543	13,716	54,516
Interests in associates	1,137	1,755	13,967	1,128	17,987	824	7,836	747	—	747	27,394
Interests in jointly controlled entities	—	4	833	4,010	4,847	—	—	191	—	191	5,038
Total segment assets	24,069	1,958	16,519	10,413	52,959	10,470	8,865	13,111	1,543	14,654	86,948
Taxation recoverable											2
Deferred tax assets											136
Total assets											87,086
LIABILITIES											
Segment liabilities	(4,882)	(40)	—	(3,450)	(8,372)	(4,345)	(744)	(6,825)	(9,377)	(16,202)	(29,663)
Taxation payable											(312)
Deferred tax liabilities											(2,304)
Total liabilities											(32,279)

4 Other gains, net and other income

	2012 *HK$'million*	2011 *HK$'million*
Other gains/(losses)		
Increase in fair value of investment properties	522	445
Gain on deemed disposal of interest in an associate	—	1,367
Gain/(loss) on disposal of interests in associates	1,287	(2)
Increase/(decrease) in fair value of financial asset at fair value through profit or loss	40	(53)
Net loss associated with ceasing to control certain subsidiaries	(225)	—
Gain on disposal of land use rights and property, plant and equipment	136	3
Net exchange gains	27	189
	1,787	1,949
Other income		
Dividend income from available-for-sale financial assets		
- listed equity investments	47	21
- unlisted equity investments	16	20
Dividend income from financial asset at fair value through profit or loss	29	30
Income from held-to-maturity investments	22	—
Others	136	37
	250	108

5 Profit for the year

	2012 *HK$'million*	2011 *HK$'million*
Profit for the year has been arrived at after charging:		
Cost of inventories (including properties held for sale)	1,514	1,071
Staff costs (including Directors' and chief executive's emoluments)	1,537	1,482
Depreciation of property, plant and equipment	1,076	1,155
Amortisation of intangible assets and land use rights	208	257
Auditors' remuneration	15	22
Operating lease rentals in respect of		
- land and buildings	117	128
- plant and machinery	75	14

6 Finance income and costs

	2012 *HK$'million*	2011 *HK$'million*
Interest income on:		
Bank deposits	162	183
Advance to a non-controlling equity holder of a subsidiary	—	4
Finance income	162	187
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(438)	(463)
- not wholly repayable within five years	(16)	(19)
Listed notes payable		
- wholly repayable within five years	(358)	(359)
- not wholly repayable within five years	(245)	(113)
Unlisted notes wholly repayable within five years	(251)	(53)
Loans from non-controlling equity holders of subsidiaries	(6)	(1)
Loans from the ultimate holding company	(93)	(114)
Loans from an intermediate holding company	(27)	(26)
Total borrowing costs incurred	(1,434)	(1,148)
Less: amount capitalised on qualifying assets *(Note)*	106	87
Finance costs	(1,328)	(1,061)
Finance costs, net	(1,166)	(874)

Note:

Capitalisation rate of 5.42% per annum (2011: 5.64% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

7 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to PRC corporate income tax law of People's Republic of China ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in PRC before 1 January 2008 previously taxed at preferential tax rate of 15%, PRC corporate income tax rate was 24% in 2011 whereas 25% standard rate is applied from year 2012 onwards. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. 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 if such companies are the beneficial owner of over 25% of these PRC entities according to PRC tax regulations.

Taxation outside 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.

The amount of taxation charged to the consolidated income statement represents:

	2012 *HK$'million*	**2011** *HK$'million* *(as restated)*
Current taxation		
Hong Kong Profits Tax	8	7
PRC corporate income tax	630	569
PRC corporate income tax arising from disposals of associates *(Note i)*	248	—
PRC withholding income tax	190	209
Overseas withholding income tax	5	—
Deferred taxation		
Origination and reversal of temporary differences	174	66
Deferred taxation on PRC withholding income tax arising from change in tax rate *(Note ii)*	—	144
Release of deferred taxation upon ceasing to control the Nanshan Outgoing Group	(92)	—
	1,163	995

Notes:

(i) Amount represents PRC corporate income tax for the year ended 31 December 2012 arising from the disposals of two associates established in PRC.

(ii) Upon deemed disposal of interest in an associate, the Group is no longer entitled to 5% preferential tax rate on its dividend receivable from the associate and accordingly an additional amount of HK$144 million deferred taxation was provided for the year ended 31 December 2011 for the then unremitted earnings of this investment.

8 Dividends

	2012	**2011**
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2011: 30 HK cents) per share	548	741
Final, proposed, of 48 HK cents (2011: 68 HK cents) per share	1,196	1,683
	1,744	2,424

At a meeting held on 27 March 2013, the Board proposed a final dividend of 48 HK cents per 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 equity holders 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 these consolidated financial statements.

The amount of proposed final dividend for 2012 was based on 2,491,853,388 (2011: 2,474,491,236) shares in issue as at 27 March 2013.

9 **Earnings per share**

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011 *(as restated)*
Basic		
Profit attributable to equity holders of the Company (HK$'million)	3,818	5,589
Weighted average number of ordinary shares in issue	2,490,749,114	2,474,154,494
Basic earnings per share (HK cents)	153.26	225.89
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	3,818	5,589
Weighted average number of ordinary shares in issue	2,490,749,114	2,474,154,494
Adjustment for share options *(Note)*	2,736,995	6,098,348
Weighted average number of ordinary shares for diluted earnings per share	2,493,486,109	2,480,252,842
Diluted earnings per share (HK cents)	153.09	225.33

Note: Adjustment represents assumption of exercise of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$852 million (2011: HK$1,204 million).

The Group has a credit policy of allowing an average credit period of 90 days (2011: 90 days) to its trade customers. The ageing analysis of the trade debtors, net of provision for impairment of trade debtors, is as follows:

	2012	**2011**
	HK$'million	*HK$'million*
Not yet due	273	266
Days overdue		
- 1 - 90 days	539	733
- 91 - 180 days	29	44
- 181 - 365 days	8	140
- Over 365 days	3	21
	852	1,204

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$294 million (2011: HK$318 million). The ageing analysis of the trade creditors is as follows:

	2012	**2011**
	HK$'million	*HK$'million*
Not yet due	5	63
Days overdue		
- 1 - 90 days	207	219
- 91 - 180 days	49	5
- 181 - 365 days	7	14
- Over 365 days	26	17
	294	318

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have recommended the payment of a final scrip dividend for the year ended 31 December 2012 of 48 HK cents per share (2011: 68 HK cents), payable on or around 30 July 2013 to the shareholders whose names appear on the Register of Members of the Company on 24 June 2013, with an alternative to the shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment (the “Scrip Dividend Scheme”).

Subject to the approval by shareholders of the Company at the annual general meeting of the Company to be held on 18 June 2013 (“AGM”), a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 27 June 2013. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “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 30 July 2013.

CLOSURE OF REGISTER

To ascertain shareholders’ entitlement to attend and vote at the AGM, the Register of Members will be closed from 11 June 2013 to 18 June 2013 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 10 June 2013.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be despatched to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Monday, 24 June 2013. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Monday, 24 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The global economy continued to slacken in 2012, with major developed economies experiencing lackluster growth and emerging economies seeing a considerable decrease in growth rate. According to data published by the International Monetary Fund ("IMF") in January 2013, the global economic growth rate for 2012 was 3.2%, representing a decrease of 0.7 percentage point as compared to that of 2011. Developed economies showed an economic growth of 1.3%, down 0.3 percentage point from 2011; while developing economies recorded an economic growth of 5.1%, representing a decrease by 1.2 percentage points. Total international trade volume (including goods and services) grew by 2.8%, representing a year-on-year decline of 4.1 percentage points in growth rate.

In 2012, China's GDP growth declined to a level below 8%, with foreign trade growth continuing to linger. During the year, China has recorded a total imports and exports value of US$3,866.8 billion, representing an increase of 6.2% year-on-year, 16.3 percentage points below the growth rate in the previous year. Among the total value of foreign trade, total export value was US$2,048.9 billion, representing a 7.9% year-on-year increase, and a decrease by 12.4 percentage points in growth rate; while total import value was US$1,817.8 billion, representing an increase of 4.3% year-on-year, and a 20.6 percentage points drop in growth rate, meaning that imports and exports trade has had a negative GDP contribution.

Impacted by the deceleration in global economic growth and softening demand, global ports business has generally experienced a slowdown in growth. Data published by the Ministry of Transport reveals that container throughput handled by China ports in 2012 totaled 177 million TEUs, up 8.2% year-on-year, 3.2 percentage points down as compared to that of 2011.

In 2012, the Group's ports handled a total container throughput of 60.21 million TEUs, an increase of 5.1% year-on-year, of which total container throughput handled in China grew by 7.0%. Bulk cargo throughput handled by the Group's ports amounted to 327 million tonnes, a mere 0.8% increase as compared to that of 2011. The business operation of China International Marine Containers (Group) Co., Ltd. ("CIMC"), of which the Group is its single largest shareholder, has seen its business affected by the severe slump of the shipping industry, resulting in a drastic fall in container sales in 2012, recording total sales of dry cargo and reefer units of 1.20 million TEUs, decreased by 24.3%; and sales of special-purpose units of 73,000 TEUs, decreased by 5.2%.

For the year ended 31 December 2012, profit attributable to equity holders of the Company was HK$3,818 million, representing a decrease of 31.7% as compared to 2011. Of this amount, recurrent profit was HK$3,373 million, down 17.1% as compared to 2011. The Group generated revenue of HK$11,022 million in 2012, up 16.4% as compared to 2011, of which HK$6,653 million was derived from the core ports operation, representing an increase of 4.1% year-on-year. EBITDA[Note 1] derived from the Group's core ports operation amounted to HK$8,373 million, representing an increase by 0.7% as compared to 2011, and accounting for 71.5% of the Group's total EBITDA.

In September 2012, the Company and China Nanshan entered into an entrustment agreement pursuant to which China Nanshan granted to the Company the management rights and the power to direct the voting rights over its entire interest in Shenzhen Chiwan, which became effective in November 2012. In December 2012, the Company and China Merchants Holdings (Hong Kong) Company Limited ("CMHK") agreed to terminate a previous entrustment agreement in respect of the management and voting rights in 23.49% stake in China Nanshan previously assigned to the Company by CMHK.

As a result of these transactions, with effect from 28 December 2012, the Group ceased to control and consolidate the assets and liabilities and other financial results of Nanshan Outgoing Group, which is accounted for as an associate using the equity accounting method thereafter, while maintaining Shenzhen Chiwan as its subsidiary. De-consolidating Nanshan Outgoing Group consequently led to a significant reduction of the Group's assets and liabilities, including, but not limited to, cash and bank balances and borrowings.

For the year under review, the Group's net operating cash inflow amounted to HK$6,333 million, of which HK$1,033 million was derived from Nanshan Outgoing Group.

Note 1 Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities

Ports operation

In 2012, EBIT[Note 2] of the Group derived from its ports operation amounted to HK$6,049 million, which remained stable as compared to last year, and accounting for 69.5% of the Group's total EBIT, an increase from last year's 68.2%.

During the year under review, the Group's China ports handled a total container throughput of 54.37 million TEUs, up 7.0% year-on-year, or approximately 2.5 percentage points higher than the overall growth rate of container throughput for foreign trade handled by all ports in China, sustaining the Group's leading position among China port operators. The Group's Hong Kong ports handled a total container throughput of 5.44 million TEUs, down 10.6% year-on-year, while the Group's other ports handled a total container throughput of close to 400,000 TEUs, up 4.3% from last year.

The performance of container port operations varied across regions. In the Pearl River Delta region, the Group's terminals in West Shenzhen reversed the decline in throughout volume seen in the last fiscal year with a mild 0.8% year-on-year increase in container throughput handled in 2012, which totaled 11.58 million TEUs. In 2012, Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 1.12 million TEUs, representing an increase of 22.9% year-on-year. In Hong Kong, Modern Terminals Limited and China Merchants Container Services Limited combined handled a container throughput of 5.44 million TEUs, down 10.6% year-on-year. In the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd. ("SIPG") recorded a container throughput of 32.53 million TEUs, up 2.5% year-on-year, while Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a total container throughput of 1.92 million TEUs, representing a year-on-year increase of 9.9%. In the Bohai Rim region, by continuing to deepen the working relationship with Qingdao Port (Group) Co. Ltd., Qingdao Qianwan United Container Terminal Co., Ltd. had its container throughput volume jumped 107.5% to 4.30 million TEUs.

As regards the Group's bulk cargo handling business, throughput handled by our ports in 2012 rose slightly by 0.8% year-on-year to 327 million tonnes, with bulk cargo ports delivering mixed performances. West Shenzhen ports handled a total of 32.66 million tonnes, a level similar to that in 2011. SIPG handled 185 million tonnes, up 3.5% year-on-year. Zhangzhou China Merchants Port Co., Ltd. handled 8.74 million tonnes, up 2.9% year-on-year. Driven by its enhanced handling capacity,

Note 2 Earnings before net interest expenses, taxation, unallocated income less expenses and non-controlling interests ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities

Dongguan Machong Terminal recorded a total throughput of 4.17 million tonnes of cargoes in 2012, an increase by 53.2% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. and Zhanjiang Port (Group) Co., Ltd. handled 27.96 million tonnes and 68.27 million tonnes respectively, down 1.5% and 6.9% year-on-year, respectively.

In light of the challenging external operating environment, the Group adhered to the directive of "strengthening internal operation to maintain stability at challenging times while seeking to innovate and develop amid available opportunities" by, on the one hand, further management system refinement and innovation, achieving cost savings and efficiency gains so as to enhance return on assets, and on the other, injecting new momentum so as to support its sustainability by continuing to expand its international footprint whilst reinforcing its positioning within China, and by actively exploring ways to extend its value chain and implement innovative business model of its port operation.

During the year under review, the Group made noteworthy achievements in overseas expansion. The Group acquired 50% equity interest in the Lomé Container Terminal of Togo in West Africa from Terminal Investment Limited SA Group, one of the world's top-ten container terminal operators. It also completed the acquisitions of 10% equity interest in Kao Ming Container Terminal Corporation of Taiwan and 23.5% equity interest in Port de Djibouti S.A. in East Africa in December 2012 and in early 2013 respectively. In addition, the Group also acquired an additional 30% equity interest in Colombo International Container Terminals Limited which operates the Colombo Port South Container Terminal in Sri Lanka, thus increasing its shareholding therein to 85%. In January 2013, the Group entered into an agreement with CMA CGM SA in relation to the acquisition of 49% of the issued shares in Terminal Link SAS, which operates, develops and invests in a container port network comprising 15 container and bulk cargo terminals in 8 countries around the world, hence further expanding its presence in the international ports industry. These port assets the Group acquired, or agreed to acquire, during the year are all strategically located at prime locations in the respective regions along major international shipping routes, some of which offering enormous potential to capture ocean-bound cargo flow demand from the respective hinterlands, enabling the Group to conveniently follow global trade flow, and to complement the Group's existing overseas and domestic port projects, thereby creating synergies and anchoring the Group's market position in the international container terminal industry. In addition, most of the assets acquired, or agreed to be acquired, contribute instantly to the Group's earnings after taking into account the relevant costs of financing.

While it sought to expand its ports operation internationally, the Group has not moved away from its development strategy of upholding the China ports as its homebase, and continued to make strategic investments in China ports. Aimed towards better alignment of port assets, the Group proactively strengthened and interacted with major port groups along coastal China with a view to identifying new investment and co-operation opportunities. A typical case was the agreement to acquire an additional 25% equity interest in Shenzhen Chiwan which, upon completion, would raise the Group's direct shareholding in Shenzhen Chiwan to 34% thus resulting in the Group becoming its single largest shareholder. Together with the management rights in Shenzhen Chiwan entrusted to the Group by China Nanshan, these have enabled the Group to exercise direct and effective control over not only Shenzhen Chiwan but also the entire West Shenzhen Port Zone. Combined with improvements in the service quality and operational efficiency in custom clearance brought about by the Group's agreement to acquire the Immigration Building at West Shenzhen during the year, these would support, for the long-term, the Group's efforts to unify the managing and operation of ports in the West Shenzhen Port Zone, accelerate the unification process and, in turn, enhance the competitiveness of the entire West Shenzhen Port Zone. In addition, the Group entered into the "Strategic Cooperation Framework Agreement on Liaogeshan Terminal" with Shunde State-owned Assets Supervision and Administration Office in July, which was followed by the execution of a formal agreement in November, pursuant to which the Group would own 51% in and was to develop Shunde Liaogeshan Terminal. This helps to further strengthen the linkage of the Group's homebase ports with its feeder ports, with which to enhance the hub-and-feeder transportation network commanded by the West Shenzhen Port Zone and, in turn, enhance further alignment of ports in the region as well as the competitiveness of its West Shenzhen homebase.

Apart from the breakthroughs achieved in asset expansion and business integration, the Group has also progressed significantly in the on-going construction of its information technology systems, enhancement of inter-modal connectivity alongside the further refinement of the barge network in the Pearl River Delta region. The Group's self-developed container terminal operational management system, CM Port, a pioneer in terms of design, performance and expandability among comparable systems, went live successfully in the West Shenzhen Port Zone, thus laying an IT platform based on which the Group seeks to elevate the operational efficiency of its terminals. With a view to further encouraging inter-modal connectivity, the Group initiated to establish over time an "inland port" network which, "gravitating upon the Group's homebase ports' hinterland coverage in the pan-Pearl River Delta region and linked via sea-rail connections, engages inland ports in the proximity so as to track inland cargo flow sources". Moreover, the Group continued to leverage on the advantages of its Shenzhen homebase ports in capability, service level and geographical position in order to encourage the strategic collaborations between the homebase ports and the river terminals in the Pearl River Delta. Modeled upon the South China barge alliance in the West Shenzhen Port Zone, the Group successfully caused to commence the operation of pilot feeder liners in Zhongshan and Huangpu, which not only is cost-efficient but also strengthens the ties between the homebase ports in Shenzhen and these feeder terminals, thus being mutually beneficial.

In respect of port management, working with a well-known international consultancy firm, the Group completed the first phase construction of its port container business standardization system. Brought by the creation of quantifiable management assessment tools, the Group established a normalized management reporting system with ever-improving closed-loop management processes, thus enhancing the management quality of the Group's terminals and the ability to supervise and control port operations from the head office. Meanwhile, in response to changes in the operating environment, the Group has been actively promoting innovative management, through the innovation on technology and technical process as well as management and business model, so as to enhance more efficient utilization of resources and achieve the goals of cost savings and efficiency improvement.

Bonded logistics and cold chain operations

In 2012, the Group's bonded logistics and cold chain operations generated revenue of HK$1,830 million, representing an increase of 29.4% as compared to 2011, and recorded EBIT of HK$1,152 million, representing an increase of 98.3% as compared to 2011.

The Group's bonded logistics operations continued the high growth momentum carried from last year. China Merchants Bonded Logistics Co., Ltd. ("CMBL"), a subsidiary of the Group, fully leveraging on the preferential policies offered at the Shenzhen Qianhaiwan Bonded Port Zone, strived to establish its core competence in marketing, operation and innovation. In 2012, CMBL successively captured a number of strategic partners, which, as a result, led to impressive year-on-year growth improvements in its key performance indicators such as revenue, gross profit per unit of area, value-added services, labour efficiency and port-collaborated cargo volume handled, alongside huge increase in operating profitability. The Group's Tianjin Haitian Bonded Logistics Company Limited, capturing the incentive policies offered by Dongjiang Bonded Port Zone in developing automobile import business while at the same time raising warehouse rental progressively, recorded significant increase in both its revenue and net profit. China Merchants International Container Terminal (Qingdao) Co., Ltd., which operates its bonded logistics business in the Qingdao Logistics Park, towards establishing itself into a unique, port-integrated and innovative logistics service provider, succeeded in adjusting its business mix and functions. Notwithstanding the backdrop of a slow-growth macro-economic environment, the growth in service demand for, and economic benefits generated by, the Group's bonded logistics parks grew uprising, as a result of the Group's adherence to the strategies of "extending the port's value chain, developing bonded logistics, and promoting port-logistics park collaboration".

China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC"), being the Group's cold chain logistics operation platform, have been widely recognized in the industry after three years of development. CMAC was awarded one of the "Top Ten Logistics Service Providers" in the "Golden Chain Award" for the cold chain industry in 2011-2012 at the Sixth Cold Chain Industry Conference, all in all reflecting the recognition of its reputation and brand appreciation in the Chinese market over the years. As of now, CMAC owns and/or manages 12 cold storages in the major cities in Mainland China and Hong Kong, with its storage capacity growing at a compound rate of more than 20% since its start-up, shaping a cold chain network that radiate from the four major economic circles as its cores. Meanwhile, CMAC has been actively exploring new operations, including the purchasing and distribution services which have shown rapid and promising growth, which not only supplements and completes CMAC's existing business model, but also facilitates the penetration of cold chain logistics operations further up and down-stream along the value chain, thereby further enhancing the capability of CMAC in becoming an integrated supply chain solutions provider in the future.

In 2012, the total volume of cargos handled at the two major air cargo terminals in Hong Kong was 3.50 million tonnes, representing an increase of 2.3% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 720,000 tonnes of cargos, representing an increase of 2.7% year-on-year while maintaining its market share at a similar level.

Port-related manufacturing operations

In 2012, EBIT generated by the Group's port-related manufacturing operations amounted to HK$1,054 million, representing a decrease of 40.1% year-on-year.

On the back of a sluggish economy and fragile shipping market, CIMC recorded a drop in both its price and volume of container sales in 2012. During the year, CIMC sold 1.20 million TEUs of dry cargo and reefer containers in total, representing a decrease of 24.3% year-on-year, and 73,000 TEUs of special-purpose units, representing a decrease of 5.2% year-on-year, which results in a decrease in revenue from its container business by 28.9% year-on-year.

In 2012, CIMC generated profit attributable to its equity holders of RMB1,939 million, representing a decrease of 47.5% year-on-year.

Corporate social responsibility

While striving to continuously improve its operating results and generate returns for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and sustainable direction.

In 2012, the Group continued to promote the construction of green ports through a combination of energy saving and emission reduction and operational improvement, with breakthroughs in management system, energy consumption structure and technological innovation, thus enhancing the comprehensive competitiveness of its ports while creating a win-win situation between the enterprise and the social community.

In 2012, Shekou Container Terminals Limited ("SCT") was recognized by the Ministry of Transport as the first national green and low-carbon demonstration port in China. Its gateway photovoltaic power generation project was included in the "Golden Sun" demonstration project catalogue jointly issued by the Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration of China, which aims at facilitating the technological advancement and upscaling of the photovoltaic power generation industry. SCT also participated in the compilation of the "Appraisal Management Measures and Appraisal Standards of Green Ports" with the Ministry of Transport, and became a leader in setting industry standards.

The Group is committed in integrating its corporate core values into the community by taking active part in various community and charitable events with focuses on, amongst others, subsidizing education, poverty alleviation, charitable donations and community services, and fulfilling its social responsibility as a corporate citizen in facilitating a harmonious environment and sustainable development of our society.

Liquidity and treasury policies

As at 31 December 2012, the Group had approximately HK$4,192 million in cash, 7.6% of which was denominated in Hong Kong dollars, 33.3% in United States dollars, 51.6% in Renminbi and 7.5% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operations, property development and investment, and investment returns from associates and jointly controlled entities, which together contributed HK$6,333 million in total.

During the year, the Group's capital expenditure amounted to HK$4,097 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position by holding an appropriate level of cash to meet its operating requirements. In addition, as a significant portion of the Group's bank loans were medium- to long-term borrowings, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 31 December 2012, the Company had 2,491,423,388 shares in issue. During the year, the Company issued 980,000 new shares upon the exercise of share options and received net proceeds of approximately HK$19 million as a result. Other than the above-mentioned newly issued shares, the Company issued 16,032,152 shares under the Company's scrip dividend scheme.

As at 31 December 2012, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 32.1%.

Considering the currency mix of its assets and liabilities and that significant depreciation of Renminbi is not expected, the Group has not entered into any specific hedging arrangements for its foreign currency investments during the year.

During the year, a wholly-owned subsidiary of the Company issued a fixed-rate listed note maturing in 2022 for the amount of US$500 million to finance the Group's working capital. Two other non-wholly-owned subsidiaries also issued fixed-rate unlisted notes with various maturities for the aggregate amount of RMB1,470 million. As at 31 December 2012, the Group had aggregate bank borrowings and listed notes payable of HK$8,171 million with maturities of 1 to 10 years that require China Merchants Group Limited to remain as the controlling shareholder of the Company. The Group also had aggregate bank borrowings and listed notes payable of HK$12,671 million as at 31 December 2012 that contain customary cross default provisions.

As at 31 December 2012, the Group's outstanding interest-bearing debts are analyzed as below:

	2012 *HK$'million*	**2011** *HK$'million*
Floating-rate bank borrowings which are repayable (*Note*):		
Within 1 year	3,712	5,239
Between 1 and 2 years	135	2,099
Between 2 and 5 years	702	3,204
Not wholly repayable within 5 years	335	106
	4,884	10,648
Fixed-rate listed notes payable are repayable:		
In 2013	2,323	2,325
In 2015	3,869	3,877
In 2018	1,534	1,536
In 2022	3,814	—
	11,540	7,738
Fixed-rate unlisted notes payable are repayable:		
In 2016	—	3,084
In 2017	612	—
	612	3,084
Loans from the ultimate holding company		
Within 1 year	986	1,615
Between 1 and 2 years	—	985
	986	2,600
Loans from an intermediate holding company		
Within 1 year	—	616
Between 2 and 5 years	617	—
	617	616
Loan from a non-controlling equity holder of a subsidiary	183	12

Note: All bank borrowings are unsecured except for HK$540 million (2011: HK$291 million).

The interest bearing debts are denominated in the following currencies:

	As at 31 December 2012						
	Bank borrowings	**Listed notes payable**	**Unlisted notes payable**	**Loans from an intermediate holding company**	**Loans from the ultimate holding company**	**Loan from a non-controlling equity holder of a subsidiary**	**Total**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	3,038	11,540	—	—	—	—	14,578
RMB	1,344	—	612	617	986	—	3,559
EURO	502	—	—	—	—	183	685
	4,884	11,540	612	617	986	183	18,822

	As at 31 December 2011						
	Bank borrowings	**Listed notes payable**	**Unlisted notes payable**	**Loans from an intermediate holding company**	**Loans from the ultimate holding company**	**Loan from a non-controlling equity holder of a subsidiary**	**Total**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	4,123	7,738	—	—	100	—	11,961
RMB	6,525	—	3,084	616	2,500	12	12,737
	10,648	7,738	3,084	616	2,600	12	24,698

Assets charge

As at 31 December 2012, the Company did not have any charge over its assets. Bank loans of HK$540 million borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$240 million and land use rights with carrying value of HK$7 million. In addition, the entire shareholding in a subsidiary owned by the Group is also pledged to various banks for bank facilities granted to that subsidiary.

As at 31 December 2011, the Company did not have any charge over its assets. Bank loans of HK$212 million borrowed by subsidiaries were secured by their property, plant and equipment with carrying value of HK$190 million and investment properties with carrying value of HK$102 million.

Employees and remuneration

As at 31 December 2012, the Group employed 6,226 full time staff, of which 181 worked in Hong Kong, 5,995 worked in Mainland China, and the remaining 50 were overseas. The remuneration paid for the year amounted to HK$1,537 million, representing 19.2% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to their performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers year-end bonus as a reward to its staff for their efforts and contribution. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

Future prospects

In 2013, as negative factors which suppressed global economic activities gradually subside and global economic growth is hopeful of reviving again, uncertain factors such as another potential setback in the euro zone and excessive fiscal consolidation in US still exist and should not be overlooked. Timely and effective policies and measures by the relevant countries to address these risks are key assurance to ensure global economic growth in 2013. According to the latest forecast by IMF, the global economic growth rate in 2013 is expected to be 3.5%, representing an increase of 0.3 percentage point as compared to that in 2012. The total international trade volume is expected to grow by 3.8%, representing a 1.0 percentage point increase year-on-year.

While the global economy is anticipated to steadily improve, the Chinese economy is expected to tread a modest upward trend in 2013 along with a modest growth in foreign trade, after an evident rebound in the fourth quarter of 2012. However, faced with growth-hurdle factors such as potential appreciation of Renminbi, rising labour costs and other yet-to-resolve structural issues, tasks to "adjust economic structure and expand domestic demand so as to keep growth steady" will remain arduous for China's domestic economy in the foreseeable future.

Furthermore, despite signs of improvement in the macro-economic environment, operating environment for shipping liners in the foreseeable future is expected to remain difficult, caused by excessive capacity supply, intensified competition within the industry, and pressure on tariffs. Recovery in the global economy and international trade velocity, which is expected to result in global port operations outperforming that in 2012 is countered by operational pressure continued to be faced by shipping liners, thus leading to possible pricing pressure on ports business. Besides, uneven distribution of port resources within individual regions may also intensify competition in these regions, while the industry trend for use of mega-sized vessels also necessitates the upgrading and restructuring of the port infrastructure and facilities. Therefore, there are still considerable challenges faced by the port industry.

Based on these analysis and judgment, the Group will manage its business in 2013 along the new visions in “optimizing scale, refining operation, stressing on efficiency, and rebalancing resources and strategies”. By adhering to the ports operation as its core business, the Group intends to, through continued operational refinement, enhancing innovative developments, deepening the integrating and alignment process in the homebase ports in Shenzhen, and lifting management abilities, optimize the benefits to be derived from existing resources so to ensure a stable return to shareholders. On the other hand, guided by the strategy set, the Group intends to capture suitable opportunities available during this crisis period to improve its strategic positioning and explore the extension of supply chain and creating business value, with a view to strengthen the Group’s capability for sustainable development.

As for its operations, based upon the consolidation of equity interests in its homebase ports in West Shenzhen, the Group will actively pursue the unification and integration of the West Shenzhen ports, and encourage resources sharing, in order to enhance the efficiency of resources and utilization of assets at the homebase ports. Meanwhile, the Group will continue to smoothen the cargo distribution capabilities at ports, encourage inter-modal connectivity in conjunction with the expansion of the barge network in the Pearl River Delta, currently pivoted at inland ports at Hunan (“Hunan inland port project”) and “feeder-liner” operation, with a view to further exploring unconventional operational models aimed towards bringing greater value to the Group’s customers whilst cementing this unique competitive advantage for the homebase ports. The Group will also facilitate the implementation of key initiatives including positioning and collaboration of river terminals, berth upgrading and improvements in channel capabilities, while attempting to fully utilize the advantages of interactions between ports and the corresponding bonded port zones in order to actively pursue the opportunities of integrating ports-related industries.

As regards managing its operations, the Group aims to support needs due to its strategic development plans and to improve its overall management quality through further refining its operational management, building a sophisticated management information platform for ports and establishing a standardized operating system with a view to exploring and identifying the best channel through which to expand the Group's ports business over time.

With respect to overseas expansion, the Group will continue to pursue its internationalization strategy in the coming years amid the relocation trend in global supply chains. The Group will closely monitor investment opportunities in ports in developing countries with economic and trade growth, while seeking to improve the positioning of our global ports network to scale up the operations of the Group's portfolio and to elevate its influence in the international maritime industry.

In 2013, the Group's cold chain operations will speed up its network coverage in the Mainland's four core economic regions so as to continue to expand its market share in the domestic cold chain logistics business. In addition, the Group intends to capture opportunities induced by the rapid development in domestic China's food and beverage industry while streamlining its existing resources allocation and accelerating the development of distribution business in city urban areas so as to enhance operational profitability from existing assets. Based on its present procurement and distribution activities, the Group intends to continue to explore and identify unconventional commercial models and expand distribution channels in order to enhance its business integration ability and, in turn, drive the development of the cold chain business.

Notwithstanding the complicated external macro-economic environment prevailing in 2013, the Group is confident of encountering more opportunities than challenges in the coming year. By adapting itself timely to the ever-changing market conditions and seeking to expand while ensuring business stability and steady progress in line with established strategies and objectives, the Group endeavors to achieve its annual targets, as always optimize benefits for shareholders with enhanced profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2012 and the 2012 annual results.

CORPORATE GOVERNANCE

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting 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.

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

In November 2004, the Stock Exchange promulgated the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions ("Code Provisions") with which the listed issuers are expected to follow and comply. The Old Code was subsequently revised and renamed as the Corporate Governance Code (the "New Code") with effect from 1 April 2012. In the opinion of the Directors, the Company has complied with the Code Provisions set out in the Old Code during the period from 1 January 2012 to 31 March 2012 and the Code Provisions set out in the New Code during the period from 1 April 2012 to 31 December 2012 except the following:

In respect of Code Provision A.6.7 under the New Code, Mr. Kut Ying Hay, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis, the independent non-executive directors, were unable to attend the annual general meeting of the Company held on 31 May 2012 due to other business engagement.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2012 annual report will be published on the website of the Stock Exchange in due course. Statutory financial statements for the year ended 31 December 2012, which contain an unqualified auditor's report, will be delivered to the Registrar of Companies, and despatched to shareholders as well as made available on the Company's website at http://www.cmhi.com.hk.

By Order of the Board
China Merchants Holdings (International) Company Limited
Fu Yuning
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the Board comprises Dr. Fu Yuning, Mr. Li Jianhong, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Yu Liming, Mr. Hu Jianhua, Mr. Wang Hong and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.