招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.

Stock Code: 00144

ANNUAL REPORT 2014

2014
Contents

Inside Front Cover	Financial Highlights
2	Corporate Profile
4	Major Milestones in 2014
6	Chairman's Statement
12	Management Discussion and Analysis
28	Five-year Financial Summary
30	Corporate Governance Report
42	Directors and Senior Management
47	Report of the Directors
66	Independent Auditor's Report
68	Consolidated Statement of Profit or Loss
69	Consolidated Statement of Profit or Loss and Other Comprehensive Income
70	Consolidated Statement of Financial Position
72	Statement of Financial Position
73	Consolidated Statement of Changes in Equity
76	Consolidated Statement of Cash Flows
78	Notes to the Consolidated Financial Statements
173	Corporate Information
174	Notice of Annual General Meeting

Financial Highlights

	2014 HK$'million	2013 HK$'million	Changes
Consolidated statement of profit or loss highlights			
Revenue[1]	**47,414**	42,218	12.3%
Profit attributable to equity holders of the Company	**4,526**	4,213	7.4%
Non-recurrent losses/(gains), net of tax[2]	**73**	(205)	(135.6%)
Recurrent profit	**4,599**	4,008	14.7%
Earnings per share (HK cents)			
Basic	**159.41**	166.89	(4.5%)
Diluted	**159.28**	166.59	(4.4%)
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	0.0%
Final dividend	**55.00**	55.00	0.0%
	77.00	77.00	0.0%
Consolidated statement of financial position highlights			
Total assets	**102,436**	89,191	14.9%
Capital and reserves attributable to the equity holders of the Company	**67,430**	48,599	38.8%
Net interest bearing debts[3]	**10,470**	23,753	(55.9%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**4,709**	5,196	(9.4%)

	2014 HK$'million	2013 HK$'million	Changes
Revenue[1]			
Ports operation	**21,120**	20,033	5.4%
Bonded logistics and cold chain operations	**890**	863	3.1%
Port-related manufacturing operation	**22,396**	18,484	21.2%
Other operations	**3,008**	2,838	6.0%
Total	**47,414**	42,218	12.3%
EBITDA[4]			
Ports operation	**10,815**	9,806	10.3%
Bonded logistics and cold chain operations	**118**	557	(78.8%)
Port-related manufacturing operation	**1,877**	1,616	16.2%
Other operations	**797**	973	(18.1%)
EBITDA	**13,607**	12,952	5.1%
Unallocated net (expenses)/income[6]	**(203)**	(113)	79.6%
Net interest expenses[5]	**(1,706)**	(1,729)	(1.3%)
Taxation[5]	**(2,415)**	(2,190)	10.3%
Depreciation and amortisation[5]	**(3,703)**	(3,313)	11.8%
Non-controlling interests[5]	**(1,054)**	(1,394)	(24.4%)
Profit attributable to equity holders of the Company	**4,526**	4,213	7.4%

1 Include revenue of the Company, its subsidiaries and share of revenue of its associates and joint ventures.

2 For 2014, include increase in fair value of investment properties of HK$22 million; increase in fair value of financial asset at fair value through profit or loss of, net of tax, HK$16 million and impairment loss HK$111 million. For 2013, include increase in fair value of investment properties of HK$68 million; increase in fair value of financial asset at fair value through profit or loss of, net of tax, HK$137 million.

3 Interest bearing debts less cash and bank balances.

4 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 joint ventures.

5 Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and joint ventures.

6 Include expenses for corporate function.


67
MAERSK
SAFETY FIRST

Presence of China Merchants Holdings (International) Company Limited

Indian Subcontinent and Africa

Colombo, Sri Lanka
Colombo South Container Terminal

Lagos, Nigeria
Tin-Can Island Container Terminal

Lomé, Togo
Lomé Container Terminal

City of Djibouti, Djibouti
Port de Djibouti

Abidjan, Côte d'Ivoire
Terra Abidjan

Europe and Mediterranean

Casablanca, Morocco
Somaport

Tangiers, 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

Zeebrugge, Belgium
Container Handling Zeebrugge

Others

Busan, South Korea
Busan New Container Terminal

Miami, United States
South Florida Container Terminal

Houston, United States
Terminal Link Texas

Mainland China, Hong Kong and Taiwan

Ports · Logistics

Pearl River Delta

Ports:
- Mega SCT
- China Merchants Port Services
- Chiwan Container Terminal
- Shenzhen Mawan Project
- Shenzhen Chiwan Wharf
- Shenzhen Haixing Harbour Development
- China Merchants Container Services
- Modern Terminals

Logistics:
- China Merchants Bonded Logistics

Yangtze River Delta

Ports:
- Shanghai International Port (Group)
- Ningbo Daxie China Merchants International Terminals
- Ningbo Port

South-West Area

Ports:
- Zhanjiang Port

Xiamen Bay Economic Zone

Ports:
- Zhangzhou China Merchants Port
- Xiamen Haicang Xinhaida Container Terminal

Bohai Coastal Area

Ports:
- Tianjin Five Continents International Container Terminal
- Qingdao Qianwan United Container Terminal
- Qingdao Qianwan West Port United Terminal
- Qingdao Port Dongjiakou Ore Terminal
- Qingdao Port International

Logistics:
- China Merchants International Terminal (Qingdao)
- Tianjin Haitian Bonded Logistics

Kaohsiung, Taiwan

Ports:
- Kao Ming Container Terminal

Corporate Profile

China Merchants Holdings (International) Company Limited ("**CMHI**") is China's largest and a global leading port developer, investor and operator, with a comprehensive ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean, amongst others.

Top Ten Container Ports in China - 2014 Unit: million TEUs

	Port	CMHI Presence	2014	14 vs 13 Change
1.	Shanghai	✓	35.29	+5.0%
2.	Shenzhen	✓	24.03	+3.2%
3.	Hong Kong	✓	22.23	-0.6%
4.	Ningbo	✓	18.70	+11.5%
5.	Qingdao	✓	16.62	+7.1%
6.	Guangzhou		16.16	+5.5%
7.	Tianjin	✓	14.05	+8.0%
8.	Dalian		10.13	+1.1%
9.	Xiamen	✓	8.57	+7.1%
10.	Yingkou		5.77	+8.8%

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

CMHI strives to, as a gateway to China's foreign trade and with its expanding global ports portfolio, provide its customers timely, efficient and effective port and related maritime logistics services by pursuing its management style that emphasizes determination, discipline and efficiency. Through synergies achieved by its existing port network, CMHI seeks to enhance its value creation for its shareholders.

CMHI, with 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, has earned itself reputation across the industry.

CMHI's strategic vision is to become a world-class comprehensive port services provider. Through implementation of domestic, international and innovation strategies, CMHI strives to achieve "world-class" level on various fronts, including global container throughput, market share, income from integrated port services, operational management capabilities, asset utilization, labor productivity and brand name.

In addition, CMHI also invests in bonded logistics operation and port-related manufacturing operation in China. Against the backdrop of a feeble growth in global economic and trade activities, these business segments have continued to demonstrate consistent and rapid growth, reflecting their strategic value to the extension of port's value chain.

Major Milestones in 2014

May 14

CMHI's Board of Directors announced that Mr. Li Jianhong, then-Vice Chairman, succeeded Dr. Fu Yuning as the Chairman of the Board

Jun 14

CMHI completed the open offer of the unlisted mandatory convertible securities, raising total proceeds of HK$15.3 billion

Qingdao Port International Co., Ltd. was successfully listed on the Main Board of the Hong Kong Stock Exchange, with CMHI among one of its promoters and being its second largest shareholder with a post-listing equity stake of 3.26%

Mar 14

Qingdao Port Dongjiakou Ore Terminal Co., Ltd., in which CMHI has a 25% equity interest, has completed its establishment and capital injection, thereby further enhancing the already established strategic relationship between CMHI and other partners, including Qingdao Ports (Group) Co., Ltd.

Apr 14

The completion ceremony of CMHI-controlled and -managed Colombo International Container Terminals Limited in Sri Lanka was held, signifying the commissioning of its operation

Oct 14

The establishment of COFCO & CM (Shenzhen) Grain Electronic Trading Center Co., Ltd., an entity formed between CMHI and companies under COFCO Limited, in Qianhai of Shenzhen was approved by the Government, laying a foundation for the building of "exgrain.com", an integrated trading platform for grains

Lomé Container Terminal S.A. in Togo, in which CMHI has 50% equity interest, began trial operation of its phase one development with a 700-meter shoreline

Aug 14

The construction of Doraleh Multipurpose Port, a development project under Port de Djibouti S.A., in which CMHI is interested, officially commenced

Jan 15 to date

CMHI disposed cold chain operation to China Merchants Shipping and Enterprise Company Limited, a wholly-owned subsidiary of China Merchants Group Limited, in January 2015 at a consideration of HK$760

Chairman's Statement

It is with great delight that I present the Group's 2014 annual report and its audited financial statements for the year ended 31 December 2014.

In 2014, whilst global economy showed a sluggish growth with varying performance across regions, international trade growth remained soft. Overall speaking, the over-supply in shipping capacity in the international maritime market means a continued slowdown in global port industry was seen. Amid the complex operating environment and ever-changing market, the Group's endeavours in promoting the integration and optimization of resources, transforming and upgrading of operational management, and stepping up market expansion have all played a part in the Group's achievement of a higher-than-industry-average growth in operating results and business performance of its core ports operation, with breakthroughs achieved in terms of overseas expansion, development of homebase port and promotion of innovation, all contributing to the enhancement in the Group's business scale, service quality and asset efficiency.

Encouraging progresses were made by various overseas operations, including, most notably, the commissioning of the facilities at Colombo International Container Terminals Limited ("**CICT**"), Sri Lanka, has seen the Group's container terminal business reaching a higher level, which, cohering with the "One Belt, One Road" development strategy of China, will be able to offer a stronger support in the Group's ongoing overseas business expansion. The development of homebase ports has also made a great leap forward, with port areas in Shekou, Chiwan and Mawan of West Shenzhen all being included in the China (Guangdong) Pilot Free Trade Zone ("**Guangdong Free Trade Zone**"), putting the Group in a favorable position in further solidifying the status of its homebase port in West Shenzhen as a key hub, capturing potential opportunities in a free port development, as well as driving the transformation and upgrading of ports operations. Innovation-driven initiatives remain high in the Group's agenda, with significant progresses seen in innovation in terms of business model, technological and technical processes, and operational management, which, with pilot projects ranging from the initiation of cross-border e-commerce to online trading platform for grains, having carefully considered the integration of operational processes with internet technologies and the synthesis of asset and capital base, will lend support to the Group's expansion into potential markets and the nurturing of new growth drivers.

Operating Results

Profit attributable to equity holders of the Company during the year under review amounted to HK$4,526 million, representing an increase of 7.4% from 2013. Of this amount, recurrent profit totaled HK$4,599 million, an increase of 14.7% from 2013. The proportion of EBITDA derived from the Group's core port operations to the Group's total increased from 75.7% in 2013 to 81.1% in 2014.

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 55 HK cents per ordinary share which, together with the interim dividend already paid, will give a total dividend of 77 HK cents per ordinary share for the whole year. Subject to the approval by shareholders at the forthcoming general meeting, the final dividend for ordinary shares will be payable on or around 10 July 2015 to shareholders whose names appear on the register of members of the Company as at 4 June 2015.

Review for the Year

In 2014, the Group's ports handled a total container throughput volume of 80.84 million TEUs, a jump of 13.4% as compared to that of 2013, attributed partly to the contributions from the new overseas projects in Terminal Link SAS ("**Terminal Link**") and CICT, and partly to the consistent growth delivered by the Group's ports in China, thus reinforcing the Group's market position among global port operators. Container throughput handled by the Group's ports in Mainland China rose by 5.0%, a growth rate higher than that of foreign trade-derived container throughput handled by China's ports, to 59.56 million TEUs, while ports in Hong Kong, Taiwan and overseas handled a combined container throughput of 21.28 million TEUs, an increment of 6.69 million TEUs when compared to that in 2013. Bulk cargo handled by the Group's terminals during 2014 totaled 363 million tonnes, registering a steady growth of 4.1% against 2013.

Gravitating upon the three strategic objectives of "homebase port establishment, overseas expansion, and innovative development", the Group has been steadily pursuing designated tasks during 2014, thus ensuring the sustainable growth of the Group's core ports operation and its business performance.

Concerning the establishment of homebase port, the inclusion of the port areas in Shekou, Chiwan and Mawan of West Shenzhen as part of the Guangdong Free Trade Zone during the year has created favourable conditions in enhancing the status of the Group's homebase port as a key hub, capturing potential opportunities in a free port establishment, and driving the transformation and upgrading of ports operation. Together with the set-up of the Guangdong Free Trade Zone were initiatives rolled out on various fronts, including the Group's on-going effort in widening the Tonggu Channel which enables the strengthening of the hub status of West Shenzhen Port Zone, continuous deepening of consolidation and integration of operations between Chiwan and Shekou, with the container handling business of China Merchants Port Services (Shenzhen) Co., Ltd ("**CMPS**") forming part of it, the completion of switching and upgrading of self-developed port operating system, CM Port, within the West Shenzhen Port Zone and the initiation of a barge service platform, "One Port", both of which boosting the operating efficiency of the homebase port, and the opening of a refined road network in the proximity by the end of last year which facilitates further collaborations between ports and the bonded logistics port zone, as reflected in an improvement in the business activity of the barge feeder shuttle services within Pearl River Delta, the inland ports and the sea-rail inter-modal operations.

With respect to overseas strategy, CICT, the Group's first greenfield project, in Sri Lanka achieved remarkable results in its second year of operation, delivering container throughput of 0.69 million TEUs during the year, while Lomé Container Terminal S.A. ("**LCT**") in Togo, the first 700 metres of shoreline of which commenced its trial operation towards the end of 2014, is expected to be fully operational during the first half of 2015. With the total container throughput contributed by the Group's overseas operations reaching 17.4% of the Group's during 2014, up by 6.9 percentage points year-on-year, overseas operation has become one of the Group's key growth drivers, and will offer even more potential considering the Group's long-established philosophies and business expansion which aligns with the "One Belt, One Road" development strategy currently advocated by China.

Innovation strategy has long been the foundation for the Group's sustainable development. The Group's devoted engagements in promoting innovation were widely recognized during the year under review, with its remote control Rubber Tyred Gantry ("**RTG**") Crane project having been awarded the first prize of "Technological Innovation among the Transport Corporations in China" (《全國交通運輸企業科技創新》一等獎), and its refined management information system that went live in July 2014 having been awarded with the First Prize of "Achievement in Modernized and Innovative Management among the Transport Corporations in China" (《全國交通運輸企業管理現代化創新成果》一等獎). Building onto the momentum, innovative projects including, amongst others, the exploration of cross-border e-commerce model and the establishment of online trading platform for bulk cargoes, have shown noticeable progress.

The divestment from the cold chain operation in 2015 out of a strategic consideration is a proof of the Group's continual devotion to allocating resources to its core ports and port-related operations, including the bonded logistics operation which delivered a remarkable improvement in the operating results, as seen in its high level of warehouse utilisation rate maintained throughout the year, the sturdy increase in container volume derived from the collaboration of ports and the bonded logistics port zone, and the rapid growth demonstrated in the new business. The free trade zone policies pursued going forward can only mean a greater development potential of the Group's bonded logistics operation.

On the financial aspect, the issue of the Mandatory Convertible Securities ("**MCS**") to raise no less than HK$15.3 billion, fully underwritten by China Merchants Union (BVI) Limited ("**CMU**") (which is 50% beneficially owned by the Company's ultimate holding company, China Merchants Group Limited), was successfully completed in June 2014, thereby improving the Group's capital structure, in turn lifting the Group's credit profile and enhancing its borrowing capacity.

Prospects

The International Monetary Fund ("**IMF**"), in its "World Economic Outlook" report published in January 2015, forecasted that global economic growth will remain stagnant in the next two years, with the US the only major economy having its growth forecast revised up, while the abating investment appetite resulting from an anticipated slowdown in medium-term growth of a number of developed and emerging economies is expected to offset the stimulus brought about by a weaker oil price. The report published by IMF suggested that global economy will grow by 3.5% in 2015, up 0.2 percentage point from that in 2014, with China's economic growth forecast revised down to 6.8%, while world trade volume (including goods and services) is projected to grow by 3.8% in 2015, an increase of 0.7 percentage point from 2014.

In tandem with the backdrop of a feeble global economic recovery and deceleration of growth in emerging economies, the global port industry is again anticipating a picture of slow growth in 2015 with varying performance across regions, amid a steady growth expected in China's economy alongside its initiatives of economic structural upgrade and a "new normal" growth target, a growth momentum demonstrated in the US economy, and a slowing growth and low inflationary environment that tests the economy of the Euro-zone and Japan. On top of all these, the persistence of an over-capacity situation of shipping lines, the deployment of mega-vessels, the prevalence of shipping alliances and the regional competition of ports all pose challenges to the port industry. Thanks to the stability displayed at the ports in China and an acceleration of growth at existing overseas projects, which are the two major growth engines of the Group, compounding with the additional contributions from potential acquisitions, and along with an added source of revenue from innovative business models, the Group's ports operation is expected to remain solid in 2015.

In order to adapt to an ever-changing external environment, bearing in mind the fundamental need for continuous development, the Group is reiterating its vision of "becoming a world-class comprehensive port services provider", with the positioning of a "comprehensive ports services provider" underscoring the Group's emphasis on the provision of "comprehensive services" from the customer's perspective, incorporating the roles of an investor, a developer and an operator of ports, whereas the part of "world-class", on the other hand, marking the Group's ambition in reaching a global leading position in terms of industry position, business scale, operating efficiency and service quality. Going forward, guided by its new strategic orientations, the Group will continuously review and refine its development strategies and implementation plans, adhering to the directives of "capturing opportunities, achieving breakthroughs and promoting developments", which aim at achieving "world-class" level in its service quality, business scale, asset efficiency and operational management, by executing the domestic, overseas and innovation strategies with determination, and leveraging upon the opportunities presented by the "Free Trade Zones" and "One Belt, One Road" policies.

Concerning domestic strategies, the Group will seek to capitalize on the opportunities arising from the establishment of the Guangdong Free Trade Zone, by re-defining the role of and re-shaping the operations in the homebase port in West Shenzhen, turning it into a gateway and a key hub along the "21st Century Maritime Silk Road", as well as a strategic fulcrum from which the development of the Qianhai-Shekou region in the Guangdong Free Trade Zone could base upon. Meanwhile, scrutinizing opportunities available for consolidation of and cooperation among domestic ports remains an initiative in further optimizing the Group's port network layout within China.

With regards to overseas strategies, the Group will, capitalizing on the experiences gained from the construction of an overseas homebase port in CICT, dedicate its effort in exploring comprehensive development plan for overseas projects, and in capturing potential opportunities for mergers and acquisitions, keeping close tabs on emerging markets, in order to seek for breakthroughs in its overseas development.

In the aspects of innovations and upgrade on operations, the Group will engage itself in facilitating the organic assimilation between ports and bonded logistic operations with the help of internet technologies and e-commerce elements, in studying the feasibility of integration between asset and capital base, and in fostering the establishment of an environment and a corporate culture that encourages innovation.

The Group is expected to be presented with not only opportunities but also challenges in 2015. By exploiting opportunities offered by the "Free Trade Zones" and "One Belt, One Road" initiatives and endeavoring to achieve breakthroughs in the Group's strategies of homebase port construction, overseas expansion, and advocating innovation, the Group is well-placed to deliver sustainable and stable growth of its operations, thereby yielding ever-improving investment returns for our shareholders.

Investor Relations

The Group, as always, strives to maintain a smooth investor relation through enhanced communication and exchanges with the investment community with a view to raising their timely understanding of, and confidence towards, the Group. More than 700 visits by investors and analysts were received and/or met by the Group in 2014, including on-site visits and meetings with our senior management. The Group also keeps close contact with its shareholders and the investors through regular roadshow activities conducted from time to time across all international investment markets, as a means to enhance the Group's transparency and, in turn, governance standards, all towards establishing for the Group a positive corporate image as a listed company.

Credit Rating

The Group's credit rating by Standard and Poor's was upgraded to BBB+ during 2014, thereby further strengthening our investment-grade rating. The Group's credit rating by Moody's is currently maintained at Baa2.

Appreciation

Following the resignation of Dr. Fu Yuning as the Chairman and Executive Director of the Board of the Group on 9 May 2014, I was appointed as the Chairman of the Board. During the 14-year tenure, Dr. Fu had devoted himself and made outstanding contributions to the development of the Group. On behalf of the Board, I would like to express our most sincere appreciation to Dr. Fu, and we wish him even more success in his new position.

The Group has steered through difficulties and achieved remarkable breakthroughs on various fronts in 2014, improving steadily its operating results amid a complex macroeconomic environment, which could not have been accomplished without the undivided dedication from all our staff or the support from our shareholders and investors, business partners and those who have taken to heart the Group's interest. For this, I would like to extend my most sincere appreciation and deepest gratitude.

Li Jianhong
Chairman
Hong Kong, 31 March 2015

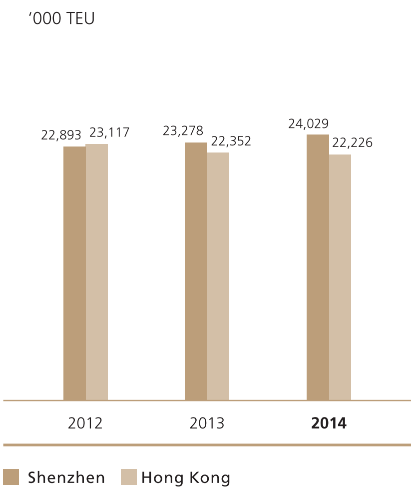
Management Discussion and Analysis

General Overview

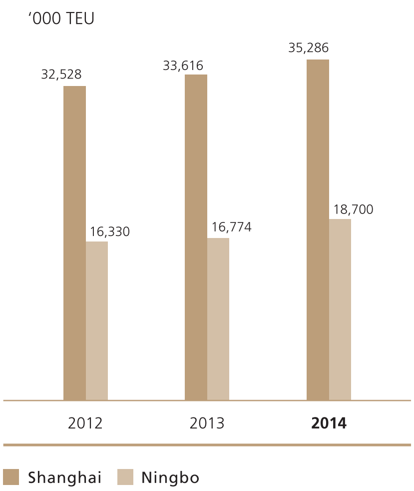
During the year under review, global economy has been, in general, growing at a moderate pace. The persistence of the post financial crisis economic structural adjustments has led to mixed performance of various economies, hindering the world's economic recovery. Meanwhile, the emergence of new risks, such as intensifying geopolitical conflicts in certain territories and the regional epidemics of disease, are also threatening the economic growth. With adjustments in fiscal rectification measures and the appropriate easing of monetary policies, developed economies have seen revival in consumption demand, yet investment appetite remained soft. Amid the solid recovery trend shown in the economy of the United States, the European countries, while demonstrating varying performances, have yet to show sustainable recovery as a whole. On the other hand, the economic growth demonstrated by Japan in the earlier part of 2014 has failed to sustain throughout the year, with its long-term growth momentum yet to be restored. Emerging economies, having been deterred by the sluggish demand growth of developed economies and problems posed by their respective economic structures, have yet to extricate themselves from the prevailing deceleration of economic growth, while being compounded with risks such as the abrupt worsening of financial structures and reversal of capital flows in the face of the tapering of the US monetary policies. According to the latest "World Economic Outlook" report published by the IMF on 20 January 2015, global economic growth was 3.3% in 2014, similar to that of 2013, of which developed economies grew at 1.8%, up 0.5 percentage point as compared to 2013; while developing economies grew by 4.4%, down 0.3 percentage point from that of last year. Global trade volume (including goods and services) expanded by 3.1%, a decrease of 0.3 percentage point comparing to the growth rate for the previous year.

In 2014, along with a decline in China's GDP growth to 7.4% was a significant slowdown in its foreign trade growth, with its total import and export value amounting to US$4,303.0 billion, representing a year-on-year increase of 3.4%, a decrease of 4.2 percentage points in growth rate, within which total export value was US$2,342.7 billion, indicating a 6.0% year-on-year increase, a decline of 1.9 percentage points against last year's; while total import value was US$1,960.3 billion, representing an increase of 0.5% year-on-year, a decrease of 6.8 percentage points against last year's.

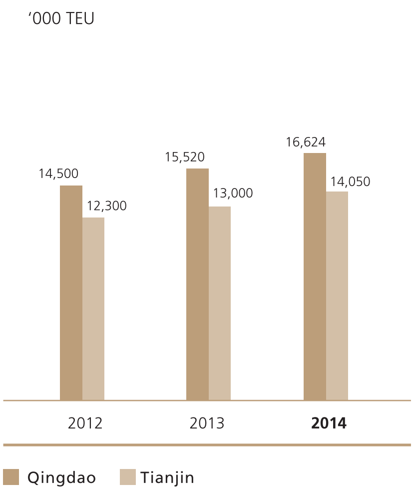
Container throughput in Shenzhen and Hong Kong 2012-2014



Container throughput in Shanghai and Ningbo 2012-2014



Container throughput in Qingdao and Tianjin 2012-2014



With the combined effect of the slow recovery in global economy and the stagnant growth in consumption demand, growth in global ports industry continued its decelerating trend. Data published by the Ministry of Transport of China showed that container throughput handled by Chinese ports of significant scale totaled 201 million TEUs in 2014, an increase of 6.3% year-on-year but a decline of approximately 0.4 percentage point as compared to the growth rate of last year.

In 2014, the Group's ports handled a total container throughput of 80.84 million TEUs, a year-on-year increase of 13.4%, with the container throughput handled by the Group's ports in Mainland China up 5.0% year-on-year. Bulk cargo volume handled by the Group's ports was 363 million tonnes, translating into a 4.1% year-on-year increase. The operating results of China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, has bottomed out amid the constant growth seen in its energy, chemicals and liquid food equipment businesses, and the turnaround of its marine engineering business. As for its container manufacturing business, CIMC recorded sales of dry cargo containers and reefers of 1.51 million TEUs during the year, representing 25.4% year-on-year growth; while sales of road transportation vehicles increased by 9.9% year-on-year to 0.12 million units. During 2014, revenue generated by CIMC was RMB69,668 million, an increase of 21.4% as compared to that of last year, while profit attributable to equity holders was RMB2,478 million, up 13.6% year-on-year.

During the year under review, profit attributable to equity holders of the Company amounted to HK$4,526 million, representing a year-on-year increase of 7.4%. Recurrent profit [Note 1] was HK$4,599 million, up 14.7% as compared to that of last year. EBITDA [Note 2] derived from the Group's core ports operation totaled HK$10,815 million, up 10.3% year-on-year, accounting for 79.5% of the Group's total EBITDA.

Business review

Ports operation

Container throughput handled by the Group's ports operation totaled 80.84 million TEUs in 2014, up 13.4% year-on-year, amongst which the Group's ports in Mainland China contributed container throughput of 59.56 million TEUs, representing a growth of 5.0% year-on-year which is slightly higher than the overall growth rate of the foreign-trade-related container throughput handled by all Chinese ports, thereby enabling the Group to maintain its leading position among China port operators. The Group's operations in Hong Kong and Taiwan recorded an aggregate container throughput of 7.22 million TEUs, up 2.1% year-on-year. Driven by the acquisitions of equity interest in Port de Djibouti S.A. ("**PDSA**") in Djibouti, East Africa, and in Terminal Link successively in 2013, together with CICT in Sri Lanka becoming fully operational, container throughput contributed by the Group's overseas ports grew 87.1% year-on-year to 14.06 million TEUs. The Group's bulk cargo handling operations recorded a throughput of 363 million tonnes, representing a growth of 4.1% year-on-year, within which ports operation in Mainland China delivered a cargo volume of 359 million tonnes, up 4.0% year-on-year, while PDSA, on the overseas front, handled 4.27 million tonnes of bulk cargoes, up 12.0% year-on-year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a container throughput of 11.03 million TEUs in 2014, down 3.2% year-on-year, amid a 40% decline in domestic volume attributing to the Group's effort in driving a business realignment that aims at optimization of its container mix, and despite a 4.5% year-on-year growth in international volume. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 1.22 million TEUs, up 2.3% year-on-year. Bulk cargo volume handled by the

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for 2014, change in fair value of investment properties and financial asset at fair value through profit or loss and impairment loss; while for 2013, change in fair value of investment properties and financial asset at fair value through profit or loss.

Note 2 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 joint ventures.

West Shenzhen Port Zone amounted to 23.99 million tonnes, down 30.7% year-on-year, due mainly to the business transformation pursued by the Group in the Pearl River Delta region. Dongguan Machong Terminal, helped by its addition of new capacity, handled a bulk cargo throughput of 9.64 million tonnes in 2014, up by 58.3% year-on-year.

Xiamen Bay Economic Zone

In the south-eastern coastal region, with the refinement in container mix that aims at reducing domestic transshipment volume, thereby lifting profitability, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") has recorded a container throughput of 0.41 million TEUs in 2014, a decline of 27.8% year-on-year. Bulk cargo handled by ZCMP amounted to 10.67 million tonnes, up 10.6% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 35.29 million TEUs, up 5.0% year-on-year, and a bulk cargo throughput of 186 million tonnes, down 8.7% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 2.50 million TEUs, an increase of 21.1% year-on-year.

Bohai Rim region

Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 5.98 million TEUs, an increase of 14.4% year-on-year. With the gradual relocation of iron ore handling operations to Dongjiakou, Qingdao Qianwan West Port United Container Terminal Co., Ltd. recorded a year-on-year drop of its bulk cargo throughput by 23.8%, to 16.86 million tonnes. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("**Dongjiakou Terminal**"), in which the Group has become a shareholder since March 2014, contributed an additional bulk cargo throughput of 34.23 million tonnes, while Tianjin Five Continents International Container Terminals Co., Ltd. handled a container throughput of 2.57 million TEUs, up 11.7% year-on-year.

South-West region of China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.58 million TEUs, up 51.4% year-on-year; while its bulk cargo throughput handled was 76.93 million tonnes, an increase of 12.9% year-on-year.

Hong Kong and Taiwan

Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered a combined container throughput of 5.89 million TEUs, down 0.3% comparing with that of last year, while Kao Ming Container Terminal Corporation in Taiwan handled a container throughput of 1.33 million TEUs, up 13.8% year-on-year.

Overseas operation

Overseas operation delivered a container throughput of 14.06 million TEUs in aggregate. Terminal Link, the acquisition of its 49% equity stake by the Group was completed in June 2013, contributed a container throughput of 12.05 million TEUs, up 92.7% year-on-year. PDSA handled a container throughput of 0.86 million TEUs, up 16.3% year-on-year. Tin-Can Island Container Terminal Limited ("**TICT**") in Nigeria handled a container throughput of 0.43 million TEUs, down slightly by 6.9% year-on-year. CICT in Sri Lanka, which commenced operations in July 2013 and with new capacity added by stages during 2014, contributed a container throughput of 0.69 million TEUs. LCT in Togo has also marked the commencement of its trial operation in October 2014.

Strategic Deployments in the Ports Operation

During the year under review which was prevailed with adverse external operating environment, the Group, guided by its directives of "integrating and optimizing resources, transforming and refining operations, intensifying the execution of strategies, thereby elevating the business scale, service quality and asset efficiency", has strived, on one hand, to enhance asset utilisation of the Group's existing portfolio through its continual effort in facilitating the refinement of operational processes, the promotion of technical innovations, the elevation of operational management capabilities, and the adherence to cost saving and efficiency improving measures, whilst, on the other hand, to further inject impetus into the sustainable growth of the Group, guided by its established strategic orientations, through deepening its effort in the establishment of homebase port in West Shenzhen and the expansion of its overseas business footprint, thus optimizating resources allocations and creating synergies built upon the Group's global port network, as well as prolonging the ports value chain and promoting business model innovation.

In terms of overseas expansion, ongoing progress has been made as planned, in turn yielding fruitful results. Leveraging on the superior geographical location and service quality, CICT, the Group's first-ever overseas greenfield project, which commenced operation in July 2013, was off to a solid start, exceeding the original expectation by achieving a container throughput of 0.69 million TEUs during 2014, with business still growing rapidly. The Group has been ardently facilitating the development of an overseas homebase port, with a plan to turn CICT into the Group's regional headquarters which complements and synergizes with the Group's existing terminals in Mainland China, as well as the place for testifying innovative measures on various fronts, all in all to create precedents for replication globally, thereby enabling the Group to further internationalize its existing overseas operation while laying a solid foundation for the Group's aspiration of becoming a "world-class" corporation. In addition, LCT in Togo, in which the Group has 50% equity interest, commenced trial operation of its phase one development, comprising 700 meters of shoreline, in October 2014, which synergizes with TICT in Nigeria to further anchor the Group's presence and influence in the West Africa region. In terms of overseas expansion, Doraleh Multipurpose Port, a development project under PDSA, in which the Group owns a 23.5% equity interest, in Djibouti, kickstarted its construction in August 2014, which marked the commencement of the improvement and upgrading project in Djibouti the Group is actively involved in, and to a larger extent a step forward in exploring and facilitating the development of an integrated ports operation model. Meanwhile, the promotion of the establishment of a cooperative platform along the "One Belt, One Road" initiative by China will also provide a strong support to the Group's expansion overseas.

Regarding the on-going establishment of its West Shenzhen homebase ports, conforming with the industry development trends and the urbanization process in the region, the Group has been actively seeking to transform and upgrade the West Shenzhen Port Zone, with an aim of optimizing resources allocation and enhancing asset efficiency. In 2014, the South China Container Terminal ("**SCCT**"), a management unit overseeing the container handling ports in the West Shenzhen Port Zone, continued to dedicate its efforts in consolidating the port activities within the region, an example of which is the integration of the ports under SCCT's management with Jetty Two West currently operated by CMPS, a subsidiary of the Group, which is of significant importance to the Group in terms of synchronization of resources, creation of synergies and elevation of overall competitiveness of the West Shenzhen Port Zone. The Group's self-developed container terminal operation system, "CM Port", went live successfully in Shekou Container Terminals Limited during the year, symbolizing a noticeable progress made towards the adoption of a terminal operating system self-developed by a subsidiary of the Group, China Merchants Holdings (International) Information Technology Company Limited, by all container terminals in the West Shenzhen Port Zone.

Regarding improvements in the barge network in Pearl River Delta, "One Port", a barge service platform self-developed by the West Shenzhen Port Zone, which offers web-based functions that enable users to track estimated time of arrival for bulk vessels and to handle cargo manifest, and which allows sharing of declaration information between various ports in the West Shenzhen Port Zone, went live successfully during the year under review, leading to a win-win situation whereby better utilisation of the barge-dedicated berths within the West Shenzhen Port Zone can be achieved, while utilisation rate of the barges calling at the West Shenzhen Port Zone can be lifted. The promotion and application of "One Port" will reinforce the loyalty of barge customers in the Pearl River Delta with the Group's homebase ports, hence further strengthening the hinterland reach-out of the West Shenzhen Port Zone in the Pearl River Delta region.

Apart from the continuous enhancement in its handling capabilities, the Group's West Shenzhen Port Zone, a total area of 38,000 square kilometer within which having been included as part of the Guangdong Free Trade Zone in December 2014, will also be presented with enormous benefits that are expected to come along with relevant governmental policies, which put the Group in a favourable position in exploring possible business transformation and upgrading opportunities at the existing ports, the possible simplification of the customs processes and the potential development of innovative models, thus injecting impetus to fuel the further development of the Group's homebase port.

As for the Group's operation in other parts of China, aiming towards a better alignment of port assets, the Group has been proactively interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities. Having completed the equity injection in Dongjiakou Terminal in March 2014, the Group has also become the second largest shareholder of Qingdao Port International Co., Ltd. by acquiring, as a promoter, an equity stake when the latter went public in June 2014 and became listed on the main board of The Stock Exchange of Hong Kong Limited. These equity investments combined would further strengthen and deepen the already-established long-term partnership between, and thus bringing mutual benefits to, the parties involved. In terms of the management of existing portfolio assets, having considered the significant profit contribution by SIPG, CIMC and the various overseas projects to the Group's, the Group had been laying stress on and striving to optimize its asset quality through comprehensive and systematic reorganization, and evaluation and analysis of its existing portfolio, in order to establish a solid foundation for sustainable development of the Group.

As for the managing of ports operation, a refined management platform co-developed by the Group and an internationally well-known consultancy firm, backed by the adoption of "big data" technology, which captures all operational data on a standardized basis and is designed to avail an efficient management reporting and assessment mechanism through the establishment of a unified corporate database, went live in July 2014. Not only does this platform improve decision-making efficiency and enhance management quality, it also significantly supports performance evaluation processes. The fact that this project was awarded with the First Prize of "Achievement in Modernized and Innovative Management among the Transport Corporations in China" (《全國交通運輸企業管理現代化創新成果》一等獎) in 2014 by the China Association of Communications Enterprises Management indicates the wide industry recognition of the platform.

In regards to innovative developments, to capture opportunities offered by the rapid growth of "new economy" and "new technology", the Group has also been actively promoting innovative management under the operating philosophy of "driving development through innovation", by setting up an innovation and development committee alongside an incentive scheme to encourage innovation in technological process and business model, all in all with an aim of bringing the Group's innovation management to a higher level. On the aspect of technological innovations, the pilot run of the "Remote Control RTG Crane Project", the vanguard in China, implemented in the West Shenzhen Port Zone was a brave and innovative move towards automation in a traditional terminal environment, and was awarded by the China Association of Communications Enterprises Management with the First Prize of "Technological Innovation among the Transport Corporations in China" (《全國交通運輸企業科技創新》一等獎) in 2014. With regards to innovation in business model, guided by the "internet thinking" and out of customers' demand, and integrating with its core business competencies, the Group has joined force with companies under COFCO Limited to form "exgrain.com", an integrated trading platform for grains, through COFCO & CM (Shenzhen) Grain Electronic Trading Center Co., Ltd. ("**CMGE**"), a joint venture established in Qianhai, Shenzhen in October 2014, which incorporates the elements of "trade, logistics and financing" in optimizing the supply chain of grains and in turn creating value for customers. By assimilating the business model of new modern industry and that of a conventional port, the Group has taken a substantial leap forward in penetrating deeper into a supply chain service provider stretching out from its core ports operation.

Bonded logistics and cold chain operations

The Group's bonded logistics operation continued to maintain relatively rapid growth in 2014. Capitalizing on the development opportunities available from the latest development at Qianhai Cooperation Zone and the preferential policies offered at the Qianhai Bonded Port Zone, China Merchants Bonded Logistics Co., Ltd. ("**CMBL**"), a subsidiary of the Group, has been actively pursuing the innovation of bonded logistics operation model and exploring potential business opportunities offered through cross-

border trading activities and cooperation between Shenzhen and Hong Kong via the extension of the port's value chain. Supported by the relevant government authorities, CMBL has successfully launched the tax refund service in 2014 for the "last mile" cross-border e-commerce exports, signifying the extension of the cross-border e-commerce export business to the entire supply chain. Being the pilot unit for cross-border e-commerce imports in Shenzhen, the Qianhai Bonded Port Zone, in which the Group runs its bonded logistics operation, is well positioned to promote the development of cross-border e-commerce import business, thus opening door to potential market expansion and the nurturing of new profit drivers for the Group. Under the philosophy of "business model and service innovation, and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in developing the consolidation and deconsolidation business for international transshipment cargoes, expanding service capabilities and integrating conventional with new business models, thus achieving noticeable growth in the operating results of the zone. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobiles (whole vehicles) with a view to building up its unique competitive edge in the region. Against the backdrop of a feeble growth in global economic and trade activities, the Group's bonded logistics business has demonstrated a consistent and rapid growth momentum, which reflected not only the ever increasing synergy via collaboration between bonded logistics parks and their corresponding port zones, but also the value of the Group's strategy in extending the port's value chain and developing bonded logistics business.

During the year, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 3.85 million tonnes, representing an increase of 9.7% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.59 million tonnes, down 22.6% year-on-year.

On 5 January 2015, the Group entered into a share purchase agreement with China Merchants Shipping and Enterprise Company Limited ("**CMSE**"), a wholly-owned subsidiary of the Company's ultimate holding company, China Merchants Group Limited, pursuant to which the Company agreed to dispose a wholly-owned subsidiary which holds the Group's cold chain operation, through a 51% equity interest in China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, at a total consideration of HK$760 million along with the assignment of relevant shareholder's loan to CMSE, which is in alignment with the Group's strategy of monitoring regularly and restructuring, as appropriate, non-core businesses from time to time.

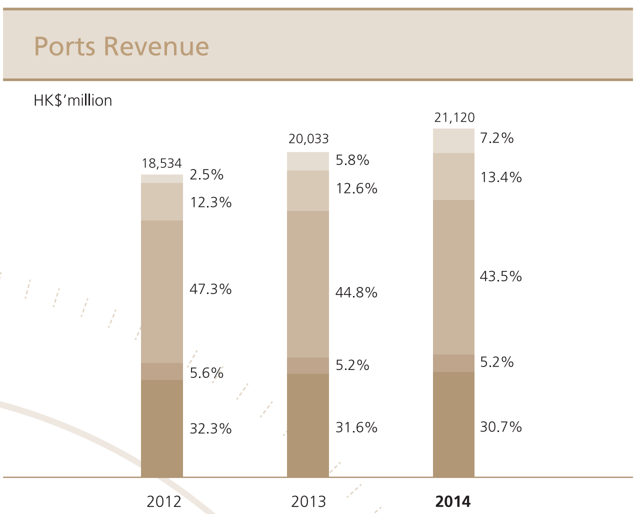
Port-related manufacturing operation

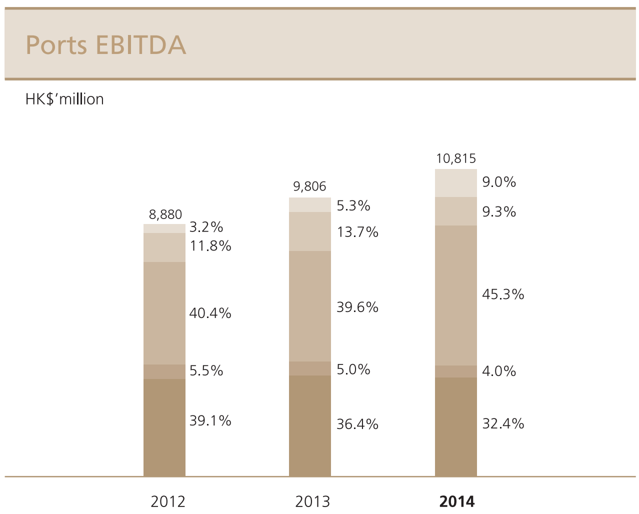
With the continued recovery in the US economies, the relatively stable demand from Europe, and the delivery of new vessels, global shipping industry has seen capacity demand reviving during the year, resulting in a rebound in the container manufacturing business, which, together with the constant growth in its energy, chemical and liquid food equipment businesses and the turnaround of the marine engineering business, has seen CIMC's operating results bottoming out. CIMC recorded profit attributable to equity holders of RMB2,478 million in 2014, up 13.6% year-on-year, while its sales of dry cargo containers and reefers was 1.51 million TEUs, up by 25.4% year-on-year, and sales of road transportation vehicles amounted to 0.12 million units, representing a year-on-year increase of 9.9%.

Financial review

Revenue Note 3 of the Group for the year ended 31 December 2014 reached HK$47,414 million, up 12.3% year-on-year, with that from the Group's core ports operation growing 5.4% to HK$21,120 million from HK$20,033 million a year ago, as a result of an improvement in the container mix of the Group's existing portfolio and added contribution from new overseas operations. Profit attributable to equity holders of the Company for the year amounted to HK$4,526 million, up 7.4% year-on-year, within which recurrent profit, driven by both continuing growth from existing ports and full-year contributions from overseas assets acquired during the year ended 31 December 2013, and with CIMC delivering an improved set of results, reached HK$4,599 million, representing a growth of 14.7% year-on-year.

EBITDA derived from the Group's core ports operation amounted to HK$10,815 million, up 10.3% year-on-year and accounting for 79.5% of the Group's total EBITDA, while EBITDA margin Note 4 of the Group's core ports operation expanded slightly to 51.2%, from 48.9% achieved in last year, as costs escalation, in particular labour cost, have been somewhat mitigated by the Group's devoted efforts towards efficiency improvements.





Mainland China, Hong Kong and Taiwan

Shenzhen   Hong Kong   Shanghai and Ningbo   Others   Other locations

Note 3 Revenue for the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Note 4 EBITDA as a percentage of revenue.

In March 2014, the Group launched, by way of an open offer to qualifying shareholders, the MCS issue to raise not less than HK$15.3 billion, to be fully underwritten by CMU (which is 50% beneficially owned by the Company's ultimate holding company, China Merchants Group Limited). The MCS issue was successfully completed in June 2014, thereby improving the Group's capital structure, in turn lifting the Group's credit profile and enhancing its borrowing capabilities.

As at 31 December 2014, total assets of the Group was HK$102,436 million, representing an increase of 14.9% as compared with a corresponding balance of HK$89,191 million as at 31 December 2013. The Group received net proceeds of HK$15,287 million upon the completion of the MCS issue, of which HK$4,538 million has been utilised in repaying its interest bearing debts during the year, HK$525 million has been used to fund its investment in PDSA, LCT and CMGE, with the rest yet to be utilised, resulting in a year-on-year increase in its cash and bank balances, with net borrowings (total interest bearing debt less cash and bank balances) sitting at HK$10,470 million as at 31 December 2014. Net assets attributable to equity holders of the Company was HK$67,430 million as at 31 December 2014, representing a year-on-year increase of 38.8%.

The Group generated net cash inflow from operating activities of HK$4,709 million for the year ended 31 December 2014, shortened by 9.4% year-on-year as a result of a timing difference in dividend receipt from certain associates, with the Group's ports operation continuing to yield sustainable cash flows. Owing to a substantially less spending on business acquisitions during the year, net cash outflow from investing activities dropped to HK$4,196 million for the year ended 31 December 2014 from HK$7,781 million a year ago. With the proceeds from the MCS issue and the repayment of loans with a portion of such proceeds, net cash inflow from financing activities was HK$5,810 million during the year ended 31 December 2014, comparing to HK$2,917 million in the previous 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 2014, the Group continued to fulfill its corporate social responsibility of "saving energy, reducing emission and building low-carbon green environment" by stepping up in the transformation of ports to become more environmental-friendly and energy-conserving through a technology and innovation-driven "green port" establishment. The Group's West Shenzhen Port Zone, being the only state-sponsored demonstration port zone of low-carbon green ports in South China, has been working actively in terms of implementing the pilot programs relating to the establishment of low-carbon green ports, focusing on 13 key implementation programs, including the use of shore-power supply for vessels, LNG trailers and LED energy-saving lamps, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable, powered by clean energy and green power.

The Group is committed to integrating its corporate core values into the community by taking active parts in various community and charitable activities, with focuses on, amongst others, education, poverty alleviation, charitable donations and community services, all in all to facilitate a harmonious environment and sustainable development of our society.

Liquidity and treasury policies

As at 31 December 2014, the Group had approximately HK$9,501 million in cash, 74.7% of which was denominated in Hong Kong dollars, 1.7% in United States dollars, 21.9% in Renminbi and 1.7% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$4,709 million in total.

During the year, the Group incurred capital expenditure amounting to HK$3,644 million while the Group continued to adhere to a prudent financial policy and to maintain a sound financial position. 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

In March 2014, the Group proposed to issue the MCS in the principal amount of not less than HK$15.3 billion by way of an open offer to qualifying shareholders at a subscription price of HK$30.26 on the basis of one unit of MCS for every five ordinary shares, aiming at improving the Group's credit profile and enhancing its borrowing capabilities, and consequently bringing the Group's capital structure to an even stronger level. In June 2014, the issuance of MCS was completed whereby the Company received net proceeds of approximately HK$15,287 million by issuing 505,400,882 units of MCS, with CMU, which is controlled and 50% beneficially owned by the ultimate holding company of the Company, China Merchants Group Limited, fully underwriting the issue.

As at 31 December 2014, the Company had 2,562,648,140 shares in issue. During the year, the Company issued 1,959,700 new shares upon the exercise of share options and received net proceeds of approximately HK$40 million as a result. Other than the above-mentioned newly issued shares, the Company issued 33,776,895 shares under the Company's scrip dividend scheme and issued 221,133 shares upon conversion of the MCS.

As at 31 December 2014, the Group's net gearing ratio was approximately 13.9%.

Although the Group is subject to impacts due to some currency volatility, the resulting effect is not expected to be significant while financial statements of the Group's foreign investments are in Renminbi, Euro or US dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in a reserve of the Group.

During the year, a non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note with maturity in 2015 for the amount of RMB400 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$13,903 million as at 31 December 2014 that contain customary cross default provisions.

As at 31 December 2014, the Group's outstanding interest bearing debts are analysed as below:

	2014 **HK$'million**	2013 HK$'million
Floating-rate bank borrowings which are repayable as follows (Note):		
Within 1 year	**972**	1,703
Between 1 and 2 years	**687**	244
Between 2 and 5 years	**1,508**	1,777
More than 5 years	**3,045**	1,720
	6,212	5,444
Fixed-rate listed notes payable which are repayable:		
In 2015	**3,878**	3,873
In 2018	**1,541**	1,537
In 2022	**3,828**	3,821
	9,247	9,231
Fixed-rate unlisted notes payable which are repayable:		
In 2014	—	636
In 2015	**507**	—
In 2017	**631**	633
In 2018	**630**	631
	1,768	1,900
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	**484**	78
Between 1 and 2 years	**938**	—
Between 2 and 5 years	—	1,323
	1,422	1,401
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	**834**	—
Between 1 and 2 years	—	637
Between 2 and 5 years	**127**	—
	961	637
Loans from a shareholder		
Repayable between 2 and 5 years	—	8,053
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	**361**	292

Note: All bank borrowings are unsecured except for HK$4,509 million (2013: HK$2,524 million).

The interest bearing debts are denominated in the following currencies:

As at 31 December 2014

	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from a shareholder HK$' million	Loans from an intermediate holding company HK$' million	Loans from the ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	**3,243**	**9,247**	—	—	—	—	—	**12,490**
RMB	**1,076**	—	**1,768**	—	**961**	**1,422**	—	**5,227**
EURO	**1,893**	—	—	—	—	—	**361**	**2,254**
	6,212	**9,247**	**1,768**	—	**961**	**1,422**	**361**	**19,971**

As at 31 December 2013

	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from a shareholder HK$' million	Loans from an intermediate holding company HK$' million	Loans from the ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	2,509	9,231	—	3,877	—	—	—	15,617
RMB	2,142	—	1,900	—	637	1,401	—	6,080
EURO	793	—	—	4,176	—	—	292	5,261
	5,444	9,231	1,900	8,053	637	1,401	292	26,958

Assets charge

As at 31 December 2014, bank loans of HK$4,509 million (2013: HK$2,524 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$31 million (2013: HK$34 million) and land use rights with carrying value of HK$7 million (2013: HK$7 million). In addition, the entire shareholdings in two (2013: two) subsidiaries, owned by the Company and its subsidiary, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

Employees and remuneration

As at 31 December 2014, the Group employed 6,261 full time staff, of which 192 worked in Hong Kong, 5,390 worked in Mainland China, and the remaining 679 worked overseas. The remuneration paid for the year amounted to HK$1,492 million, representing 25.9% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, the individual's 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 discretionary 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 to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

Future prospects

Going into 2015, modest growth in the global economy is expected to be maintained. According to the latest forecast by IMF, global economy is expected to grow by 3.5% in 2015, a 0.2 percentage point improvement as compared to 2014. Global trade volume (including goods and services) is expected to grow by 3.8%, a 0.7 percentage point expansion over that of 2014. Meanwhile, IMF also pointed out that both upside and downside risks exist, with upside being the greater purchasing power and the accompanying consumption demand of oil importing countries as a result of the latest supply-demand induced movement in oil prices, providing support to global economic growth for the near future, whilst downside being the slowing medium-term growth anticipated in major economies, except the US, with the resultant corrections to the world's economy outweighing the boost given by the fall in oil price.

Against the backdrop of a sluggish recovery in external demand, along with the implementation of domestic economic structural reforms, China is expected to face considerable downside pressure during 2015. The latest forecast published by the IMF suggested that Chinese economy will grow by 6.8% in 2015, down 0.6 percentage point as compared to that in 2014. Foreign trade is expected to, with the benefit from the strengthening external demand of certain developed economies, reach a growth rate of approximately 6%.

Despite the persistence of a lackluster global economic and trade growth, together with a slowdown in China's domestic economy, the wide range of strategic and reform initiatives promoted by the new Chinese Government, including "One Belt, One Road" and the establishment of "Free Trade Zones", are expected to bring enormous opportunities and potentials for the Group's business development, the Group, as a result, remains cautiously optimistic towards its ports business in 2015.

Based on these analysis and considerations, the Group will pursue various developments adhering to the directives of "achieving breakthroughs amid challenging environment and evolving with implementation of a wide range of tasks, thereby enhancing the Group's performance". The Group will, on one hand, following the industry trends and through various measures, like integration of resources, transformation and upgrade of businesses and capital operations, strive to enhance efficiency in asset utilisation and capital deployment, and to improve the productivity of existing assets, which in turn results in higher return on capital, while on the other hand, with the vision of "becoming a world-class comprehensive port services provider", seek to fully capture the opportunities offered by both the "One Belt, One Road" and "Free Trade Zones" initiatives by the Chinese Government and to deepen its efforts in the implementation of its domestic, international and innovative strategies, with the goal of increasing the competitiveness of the Group's homebase ports in West Shenzhen while achieving breakthroughs in overseas expansion and innovation developments.

With respect to its business operations, the Group aims, conforming to the trend of formation of shipping alliances from a business perspective, to forge a deeper working relationship already existing with its strategic customers by the provision of comprehensive solutions on port services, fully leveraging on its expanding port network, and, from a capital deployment perspective, to enhance asset return by reinforcing active capital management of existing portfolio and by, taking into consideration the Group's asset and capital base, optimizing capital structure.

As for establishment of homebase ports, in order to swiftly build a unique competitive edge in the region, capturing the significant opportunity presented by the inclusion of the Group's homebase ports in the Guangdong Free Trade Zone, the Group will proactively initiate and drive the refinement of customs processes in the zone, in terms of level of convenience and service quality, into what resembles a free port similar to Hong Kong. Added to this are other key initiatives including the upgrading of berths, the widening of the sea channel, and the streamlining of comprehensive cargo distribution capabilities, which, leveraged upon the advantages offered by the free trade zone policies, can solidify the foundation of the West Shenzhen Port Zone as the key hub of South China.

On overseas developments, seizing the opportunities offered by the "One Belt, One Road" policy promoted by China, in particular the need for port-related infrastructure build-up along the "21st Century Maritime Silk Road", the Group will, considering its long-established philosophy and investment strategies, look for breakthroughs in the Group's overseas portfolio, in terms of scale, strategic positioning, structure and mode of development, to have it further widened and deepened.

With regards to operational management, the promotion of application and the extension of system capabilities in the refined management information platform, the enrichment of database leveraging on the overseas experience in business development and operational management, and the building of a knowledge sharing platform on a corporate level, will all enable the Group to provide the "best practicable solutions" to its projects and supports the Group's expansion endeavours, thus elevating its overall management quality.

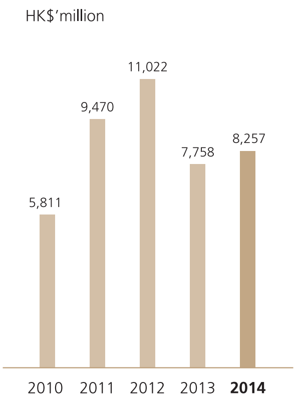
Innovation has always been one of the crucial drivers for the Group's sustainable business growth, with key initiatives on this front including the pursuance in the integration of business operations in its ports and bonded logistics businesses with internet technologies, in light of the rapid growth in internet economy, and the exploring of business models in extending the value chain and supply chain of ports, which facilitates innovative business transformation, thus creating impetus for the sustainable growth of the Group's business.

Whilst global macroeconomic environment remains complex in 2015, the Group is expected to have not only opportunities but also challenges. The Group will continue to monitor the ever-changing market conditions and to seek to capture opportunities available, while navigating its business operations to ensure stability and steady progress in line with strategies and objectives established. As always, the Group will endeavour to achieve its pre-set target as a step towards profit maximization and enhanced profitability, thereby delivering better returns for its shareholders.

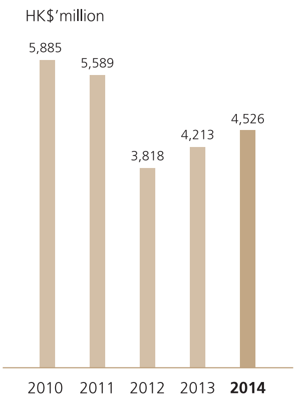
Five-year Financial Summary

	2014 HK$'million	2013 HK$'million	2012 HK$'million	2011 HK$'million (as restated)	2010 HK$'million (as restated)
RESULTS					
Revenue	**8,257**	7,758	11,022	9,470	5,811
Profit before taxation	**6,169**	5,781	6,871	7,686	7,238
Profit for the year	**5,018**	4,939	5,708	6,691	6,689
Non-controlling interests	**492**	726	1,890	1,102	804
Profit attributable to equity holders of the Company	**4,526**	4,213	3,818	5,589	5,885
ASSETS AND LIABILITIES					
Non-current assets	**88,551**	83,389	71,414	71,914	64,733
Net current assets/(liabilities)	**3,520**	1,050	(2,749)	3,462	2,372
Total assets less current liabilities	**92,071**	84,439	68,665	75,376	67,105
Non-current liabilities	**16,925**	28,013	14,983	20,569	17,707
Non-controlling interests	**7,716**	7,827	8,140	11,355	10,329
Capital and reserves attributable to equity holders of the Company	**67,430**	48,599	45,542	43,452	39,069
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**159.41**	166.89	153.26	225.89	239.51
– Diluted (HK cents)	**159.28**	166.59	153.09	225.33	238.90
Dividend per share (HK cents)	**77.00**	77.00	70.00	98.00	103.00

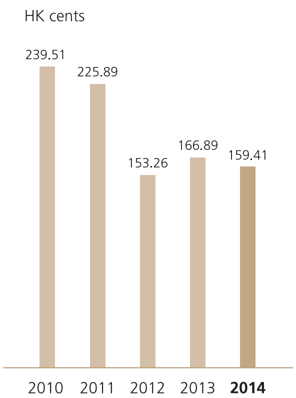
Revenue



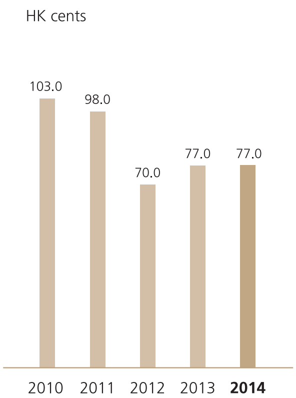
Profit attributable to equity holders of the Company



Earnings per share



Dividend per share



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 2014.

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 code provisions set out in 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 "**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 2014.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 23 May 2014 to answer shareholders' questions.

Board of Directors

The Board of the Company comprises:

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Fu Yuning *(Chairman)* (resigned on 9 May 2014)	Male	Chinese	58	15
Li Jianhong *(Chairman)* (appointed as Chairman on 9 May 2014)	Male	Chinese	58	4
Li Xiaopeng *(Vice Chairman)* (appointed on 25 August 2014)	Male	Chinese	55	0.6
Li Yinquan (resigned on 13 March 2015)	Male	Chinese	59	13
Hu Zheng (resigned on 13 March 2015)	Male	Chinese	59	10
Meng Xi (resigned on 13 March 2015)	Male	Chinese	58	13
Su Xingang	Male	Chinese	56	7
Yu Liming	Male	Chinese	52	16
Hu Jianhua *(Managing Director)*	Male	Chinese	52	7
Wang Hong	Male	Chinese	52	9
Zheng Shaoping	Male	Chinese	52	3

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Kut Ying Hay	Male	Chinese	60	22
Lee Yip Wah Peter	Male	Chinese	72	13
Li Kwok Heem John	Male	Chinese	59	10
Li Ka Fai David	Male	Chinese	60	7
Bong Shu Ying Francis	Male	Chinese	73	4

The five Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, banking 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, five 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 2014	Attendance rate
Fu Yuning	2/2	100%
Li Jianhong	5/5	100%
Li Xiaopeng	1/1	100%
Li Yinquan	5/5	100%
Hu Zheng	2/5	40%
Meng Xi	4/5	80%
Su Xingang	5/5	100%
Yu Liming	5/5	100%
Hu Jianhua	5/5	100%
Wang Hong	5/5	100%
Zheng Shaoping	5/5	100%
Kut Ying Hay	5/5	100%
Lee Yip Wah Peter	5/5	100%
Li Kwok Heem John	5/5	100%
Li Ka Fai David	5/5	100%
Bong Shu Ying Francis	5/5	100%

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 14 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 3 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 have 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 also participated in the following trainings:

Name of Director	Type of training
Li Jianhong	A,B,C
Li Xiaopeng	A,B,C
Li Yinquan	A,B,C
Hu Zheng	A,B,C
Meng Xi	A,B,C
Su Xingang	A,B,C
Yu Liming	A,B,C
Hu Jianhua	A,B,C
Wang Hong	A,B,C
Zheng Shaoping	A,B,C
Kut Ying Hay	A,C
Lee Yip Wah Peter	A,C
Li Kwok Heem John	A,C
Li Ka Fai David	A,C
Bong Shu Ying Francis	A,C

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading journals and updates relating to the economy, general business or director's duties and responsibilities etc.

Directors' securities transactions

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

Chairman and Managing Director

The Chairman of the Board is responsible for the leadership and effective running of the Board and the Managing Director is delegated with the authorities to manage the business of the Group in all aspects effectively. The Chairman of the Company is Mr. Li Jianhong and the Managing Director of the Company is Mr. Hu Jianhua.

Appointment and re-election of Directors

According to Article 89 of the Company's articles of association (the "**Articles**"), 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 3 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.

According to Article 95 of the Articles, 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 21 August 2014, the Board resolved to appoint Mr. Li Xiaopeng as an Executive Director and the Vice Chairman of the Board. In respect of the appointment of Mr. Li, the Board has taken into consideration, inter alia, his qualifications, management expertise and experience in relevant industries.

Nomination Committee

The Nomination Committee was established in March 2012. It comprises one Executive Director and five Independent Non-executive Directors. Two meetings were held in 2014. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2014	Attendance rate
Kut Ying Hay *(Chairman of the Nomination Committee)*	2/2	100%
Hu Jianhua	2/2	100%
Lee Yip Wah Peter	2/2	100%
Li Kwok Heem John	1/2	50%
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. The Nomination Committee has made recommendation to the Board on the appointment of Mr. Li Xiaopeng as an Executive Director to fill a vacancy following the resignation of Dr. Fu Yuning on 9 May 2014.

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.

Pursuant to the Articles, Mr. Su Xingang, Mr. Yu Liming, Mr. Wang Hong and Mr. Bong Shu Ying Francis shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Li Xiaopeng 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 five Independent Non-executive Directors. One meeting was held in 2014. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2014	Attendance rate
Li Ka Fai David *(Chairman of the Remuneration Committee)*	1/1	100%
Hu Jianhua	1/1	100%
Kut Ying Hay	1/1	100%
Lee Yip Wah Peter	1/1	100%
Li Kwok Heem John	0/1	0%
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 49 to 52 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 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.

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 2014, 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 66 to 67.

Audit Committee

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

The Audit Committee meets at least twice a year. Two meetings were held in 2014. The minutes of the Audit Committee meetings were tabled at Board meetings for Directors to take note and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2014	Attendance rate
Lee Yip Wah Peter *(Chairman of the Audit Committee)*	2/2	100%
Kut Ying Hay	2/2	100%
Li Kwok Heem John	2/2	100%
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the meetings held in 2014, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2013 and for the six months ended 30 June 2014;

(ii) reviewed the effectiveness of internal control system;

(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 2013;

(v) reviewed and recommended for approval by the Board the 2014 audit scope and fees;

(vi) reviewed the connected transactions entered into by the Group during 2013; and

(vii) reviewed the Company's internal control manual applicable to employees and directors.

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 (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, internal controls and risk management systems;

7. to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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 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 internal control systems (where one 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;

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	10
Non-audit services	
(Tax advisory, compliance services and financial advisory services)	3
Total	13

Internal control

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's assets.

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 an internal control system that is scientific and effective.

The Board and the Audit Committee assess the effectiveness of the Group's internal control system 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.

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. Yvonne Luk Man Kuen, General Manager of Board of Directors and Legal Department of the Company. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

Constitutional Documents

In order to bring the articles of association of the Company in line with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") which came into effect on 3 March 2014, a special resolution was passed by shareholders of the Company at the annual general meeting of the Company held on 23 May 2014 approving the adoption of new articles of association of the Company.

Communications with shareholders and investors

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 10 clear business days before the extraordinary general meeting and at least 20 clear business days before the annual general meeting.

At the 2014 annual general meeting held on 23 May 2014, 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 Stock Exchange. The attendance of each Director at the general meeting held in 2014 is set out as follows:

Name of Director	Number of general meeting attended in 2014
Li Jianhong	1/1
Li Xiaopeng	0/0
Li Yinquan	1/1
Hu Zheng	1/1
Meng Xi	0/1
Su Xingang	1/1
Yu Liming	0/1
Hu Jianhua	1/1
Wang Hong	0/1
Zheng Shaoping	1/1
Kut Ying Hay	1/1
Lee Yip Wah Peter	1/1
Li Kwok Heem John	0/1
Li Ka Fai David	1/1
Bong Shu Ying Francis	1/1

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 then 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.

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 Holdings (International) 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 2015 annual general meeting of the Company will be held at 9:30 a.m. on Wednesday, 27 May 2015 at JW Marriot Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

Directors and Senior Management

Directors

Mr. Li Jianhong

aged 58, is the Chairman of the Company and the Chairman of China Merchants Group Limited. He holds a professional title of "Senior Economist" and graduated from East London University, England with Master Degree in Business Administration and also obtained Master Degree in Economy and Management from Jilin University. Before joining the Company, he worked with China Ocean Shipping (Group) Company and successively served as Factory Manager of Nantong Shipyard, General Manager of COSCO Industry Company, Assistant to the President, Chief Economist and Executive Vice President of China Ocean Shipping (Group) Company, Chairman of COSCO Corporation (Singapore) Limited, Sino-Ocean Land Holdings Ltd., COSCO Shipyard Group Co., Ltd. and Nantong COSCO KHI Ship Engineering Co., Ltd. Mr. Li is the Chairman of China International Marine Containers (Group) Co., Ltd., shares of which are listed on both the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, and a Non-executive Director and the Chairman of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Executive Director on 14 October 2010 and was appointed as the Chairman of the Company on 9 May 2014.

Mr. Li Xiaopeng

aged 55, is the Vice Chairman of the Company and the President and Director of China Merchants Group Limited. He graduated from the doctorate program of Wuhan University, majoring in finance and holds a Ph.D. in economics. He is a Senior Economist. Mr. Li is a non-executive director of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, and the Chairman of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange. He is also concurrently acting as vice chairman of China Urban Financial Society and vice chairman of China Rural Financial Society. Mr. Li previously served as deputy head of Henan Branch of Industrial and Commercial Bank of China Limited ("ICBC", shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited), general manager of the banking department of the head office of ICBC, head of ICBC Sichuan Branch, vice president of China Huarong Asset Management Corporation, assistant to the president of ICBC and head of ICBC Beijing Branch, vice president of ICBC, executive director and vice president of ICBC, and chairman of the board of supervisors of China Investment Corporation. He also once served concurrently as chairman of ICBC International Holdings Ltd., chairman of ICBC Financial Leasing Co., Ltd., and chairman of ICBC Credit Suisse Asset Management Co., Ltd. He was appointed to the Board of Directors as Executive Director and Vice Chairman on 25 August 2014.

Mr. Su Xingang

aged 56, is the Executive Vice President of China Merchants Group Limited. He is also a Director of China Merchants Holdings (Hong Kong) Company Limited. He graduated from Ship Navigation and Harbour Superintendency Administration Specialty of Navigation Department of Dalian Maritime University (formerly Dalian Marine College). He holds the professional title of "Senior Engineer". He is the Vice Chairman of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange, Vice Chairman of China LNG Shipping (Holdings) Limited, and a Director and the Vice Chairman of Shanghai International Port (Group) Company Limited, shares of which are listed on the Shanghai Stock Exchange. Before joining China Merchants Group Limited, he served as Deputy Division Chief of Department of Transportation Administration, Assistant Director General of Department of Water Transportation of Ministry of Communications, Vice President of China Changjiang National Shipping (Group) Corp., Deputy Director General, Director General of Department of Water Transportation of Ministry of Communications. He was appointed to the Board of Directors as Executive Director on 25 May 2007.

Mr. Yu Liming

aged 52, is the Executive Vice President of China Merchants Group Limited. He is also a Director of China Merchants Holdings (Hong Kong) Company Limited. He graduated from the South China University of Science and Technology in 1982. He holds a PhD Degree at the Business School of Fudan University, the PRC. He studied in The International Institute of Infrastructural Hydraulic and Environmental Engineering (IHE), Delft University of Holland and Port of Rotterdam from 1987 to 1988. He joined China Merchants Group Limited in 1984 and has extensive experience in the field of strategic planning, mergers and acquisitions, port management and construction business. He was appointed to the Board of Directors as Executive Director on 8 January 1999.

Mr. Hu Jianhua

aged 52, is the Managing Director of the Company and the Executive Vice President of China Merchants Group Limited. He graduated from the Dalian University of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. He then obtained his Master Degree in Construction Management at the University of Birmingham of the United Kingdom and his Doctor Degree in Business Administration at the University of South Australia. He is the Professorial Senior Engineer conferred by MOC of China, a fellow member of the Hong Kong Institution of Engineers (FHKIE) and also a fellow member of Institution of Civil Engineering Surveyors of the United Kingdom (FInstCES) respectively. Prior to joining the Company, he was the Managing Director of Hong Kong Zhen Hua Engineering Co., Ltd, Deputy Chief Economist cum General Manager of Overseas Division of China Harbor Engineering Company Group and Managing Director of China Harbor Engineering Company Limited. Having rich working experiences in overseas, he has extended the business to over 30 countries and regions in the development, construction and operation of large infrastructure projects such as ports, roads and bridges. With experiences as corporate executive, he also holds the post of executive director in several companies in China and overseas. He was appointed to the Board of Directors as Executive Director on 25 May 2007 and was appointed as the Managing Director of the Company on 26 March 2010.

Mr. Wang Hong

aged 52, is the Executive Vice President of China Merchants Group Limited. He is also a Director of China International Marine Containers (Group) Co., Ltd., shares of which are listed on both the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, and the Chairman of the Supervisory Committee of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange. He graduated from Dalian Maritime University in the PRC in Marine Engineering in 1982, and is a holder of Master in Business Administration from Graduate School of Beijing University of Science and Technology and a holder of PhD in Management from Graduate School of China Academy of Social Science. Mr. Wang successively served as Engineer in COSCO Guangzhou, General Manager of Shipping Department, General Manager of Finance and Accounting Department, and Vice President of China Communications Import & Export Corp., Managing Director of Hoi Tung Marine Machinery Suppliers Ltd., General Manager of Performance Evaluation Department, Human Resources Department and Strategic and Research Department of China Merchants Group Limited. He was the Deputy Managing Director and Chief Operational Officer of the Company, the Vice Chairman of Shanghai International Port (Group) Co., Ltd., shares of which are listed on the Shanghai Stock Exchange, and the Chairman of China Merchants Holdings (Pacific) Limited, shares of which are listed on Singapore Exchange Limited, a Director of China Merchants Energy Shipping Company Limited and a Director of China Merchants Property Development Company Limited, shares of which are listed on the Shenzhen Stock Exchange. Mr. Wang has extensive experience in shipping industry, international trading, financing and accounting and human resource management. He was appointed to the Board of Directors as Executive Director on 11 May 2005.

Mr. Zheng Shaoping

aged 52, is the Deputy General Manager 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 20 years' experience in the field of port management and successively served as the General Manager of Chiwan Container Terminal Co., Ltd., the General Manager and the Chairman of Shenzhen Chiwan Harbour Container Co., Ltd. and the Managing Director and the Vice Chairman of Shenzhen Chiwan Wharf Holdings Limited. He is also the Vice Chairman of China Merchants Bonded Logistics Co., Ltd., the Chairman of Shekou Container Terminals Ltd., the Chairman of Chiwan Container Terminal Co., Ltd. and the Chairman of Shenzhen Chiwan Wharf Holdings Limited, shares of which are listed on the Shenzhen Stock Exchange. He was appointed to the Board of Directors as Executive Director on 10 February 2012.

Mr. Kut Ying Hay

aged 60, is a solicitor and a notary public in Hong Kong and had been in practice in the name of Kut & Co. for more than 25 years. He is also a solicitor of the Supreme Court of England and Wales, the Supreme Court of Victoria, Australia, and the Supreme Court of Singapore, and is 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 has also been appointed by the Ministry of Justice of the PRC as a China Appointed Attesting Officer. 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.

Mr. Lee Yip Wah Peter

aged 72, is a retired solicitor. He is also a Non-executive Director of SHK Hong Kong Industries Limited and an Independent Non-executive Director of Sinotrans Shipping Limited. Both the said companies are listed on The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Independent Non-executive Director on 20 June 2001.

Mr. Li Kwok Heem John

aged 59, was a partner at PricewaterhouseCoopers, Certified Public Accountants. He graduated from the Imperial College of the University of London with a Bachelor of Science degree and also obtained a Master of Business Administration degree from the Wharton School of Business of the University of Pennsylvania. He is a Fellow of The Institute of Chartered Accountants in England and Wales. Mr. Li is the Chairman of the United Christian Medical Service and the United Christian Hospital, a member of the Board of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital and Alice Ho Mui Ling Nethersole Hospital, and a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong. He was appointed to the Board of Directors as Independent Non-executive Director on 8 October 2004.

Mr. Li Ka Fai David

aged 60, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK as well as The Institute of Chartered Secretaries and Administrators, UK and an associate member of The Institute of Chartered Accountants in England and Wales. He is an Independent Non-executive Director and Chairman of audit 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, shares of the above six companies are listed on The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Independent Non-executive Director on 1 June 2007.

Mr. Bong Shu Ying Francis

aged 73, OBE, JP, is currently a Non-executive Director of Cosmopolitan International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. 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, a Fellow of the Institution of Civil Engineers (UK) 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. Liu Yunshu

aged 50, joined the Company in 2004 and is Overseas Operation Officer of the Company and Chief Executive Officer of Colombo International Container Terminals Limited. He obtained his Master of Business Administration at Roosevelt University of America. Mr. Liu has vast experience in ports and logistics industries. Before joining the Company, he was a Director and Deputy General Manager of Shenzhen Shekou China Merchants Port Services Co., Ltd., Vice Chairman and General Manager of Shenzhen Shekou Anda Industry Co. Ltd., a Director and Chief Operating Officer of China Merchants Logistics Group Co., Ltd. He was an Executive Director of the Company for the period from 3 June 2009 to 10 February 2012.

Mr. Zhang Rizhong

aged 46, joined the Company in 2005 and is the Deputy General Manager and the Chief Financial Officer of the Company, responsible for accounting, finance and human resources management. He holds a Master of Business Administration Degree from The University of Westminster of UK, and graduated with a Bachelor degree of Economics from The Central Finance and Economics University in the PRC. He is a Member of Association of Chartered Certified Accountants. With over 24 years in Finance and Accounting, he has extensive experience in finance management. Before joining the Company, he was Deputy General Manager of Financial Department of China Merchants Group Limited, Financial Controller of China Merchants Holdings (UK) Co. Ltd., and a director of several companies.

Mr. Wang Zhixian

aged 50, joined the Company in July 1992 and is the Deputy General Manager of the Company. 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.

Mr. Yu Shixin

aged 52, joined the Company in 2007 and is the Deputy General Manager of the Company. He graduated from Zhengzhou University with a Bachelor Degree in English. He then obtained his Master Degree in Economics at University of International Business and Economics and his Executive Master Degree in Business Administration at China Europe International Business School. Mr. Yu has over 20 years' experience in the field of port management and successively served as the Deputy General Manager and General Manager of China Communications Import and Export Corporation, and the Deputy General Manager of Hoi Tung Marine Machinery Suppliers Limited. He is also the Managing Director of China Merchants Bonded Logistics Co., Ltd., the Deputy Chairman of Tianjin Haitian Bonded Logistic Company Limited and a Director of Asia Airfreight Terminal Company Limited.

Mr. Hang Tian

aged 51, joined the Company in February 2011 and is the Deputy General Manager of the Company. He was the former Chief Executive Officer of China Merchants Americold and Deputy General Manger of China Merchants Food Supply Chain Management Company Limited. He was honored a Master of Business Administration Degree jointly given by Shanghai Maritime University and Management School of Maastricht of Holland, and also obtained a Master Degree of Supply Chain and Logistics Management at The Chinese University of Hong Kong. Before joining the Company, he was a Regional Manager of Sea-Land Service (China) Co. Ltd., the Deputy General Manager of Shenzhen Shekou China Merchants Port Services Co. Ltd., the General Manager of China Ever Bright Financial Assets Management (HK) Co. Ltd, the Deputy General Manager of ST-Anda Logistics Co. Ltd and the Deputy General Manager of China Merchants Logistics Holding Co. Ltd.

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 2014.

Principal activities and geographical analysis of operations

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 41 to 43 to the 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 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 68.

The Board had declared an interim dividend of 22 HK cents per share, totalling HK$560 million, which was paid on 27 November 2014.

The Directors have resolved to recommend the payment of a final scrip dividend of 55 HK cents per share, totalling HK$1,411 million for the year ended 31 December 2014 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 (2013: scrip dividend of 55 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 10 July 2015 to the shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 4 June 2015 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 27 May 2015, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 8 June 2015. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of 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 10 July 2015.

Charitable donations

HK$3.82 million donation was made by the Group during the year (2013: HK$3 million).

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

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 financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

Distributable reserves

Distributable reserves of the Company as at 31 December 2014 amounted to HK$4,942 million (2013: HK$3,579 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 on page 28.

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 2014 and up to the date of this report were:

Executive Directors:

Dr. Fu Yuning *(Chairman)* (resigned on 9 May 2014)
Mr. Li Jianhong *(Chairman)*
(appointed as Chairman on 9 May 2014)
Mr. Li Xiaopeng *(Vice Chairman)*
(appointed on 25 August 2014)
Mr. Li Yinquan (resigned on 13 March 2015)
Mr. Hu Zheng (resigned on 13 March 2015)
Mr. Meng Xi (resigned on 13 March 2015)
Mr. Su Xingang
Mr. Yu Liming
Mr. Hu Jianhua *(Managing Director)*
Mr. Wang Hong
Mr. Zheng Shaoping

Independent Non-executive Directors:

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

In accordance with Article 89 of the Articles, Mr. Su Xingang, Mr. Yu Liming, Mr. Wang Hong and Mr. Bong Shu Ying Francis will retire from the Board at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election. Pursuant to Article 95 of the Articles, Mr. Li Xiaopeng shall 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 appointment letter with the Company for a term of three years. One Executive Director's appointment commenced on 25 August 2014 and six Executive Directors' appointments commenced on 29 March 2015; three Independent Non-executive Directors' appointments commenced on 22 March 2014 and two Independent Non-executive Directors' appointments commenced on 1 June 2013 and 14 July 2013 respectively. The appointment of each of the Directors is subject to retirement by rotation in accordance with the Articles.

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' 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 contracts

No contracts 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 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 2014, 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 shares in the Company subject to share options granted	Percentage of aggregate long position in shares held to the issued shares as at 31 December 2014
Mr. Li Yinquan	Beneficial owner	Personal interest	—	250,000	0.0098%
Mr. Hu Zheng	Beneficial owner	Personal interest	—	400,000	0.0156%
Mr. Meng Xi	Beneficial owner	Personal interest	—	200,000	0.0078%
Mr. Su Xingang	Beneficial owner	Personal interest	—	350,000	0.0137%
Mr. Yu Liming	Beneficial owner	Personal interest	410,884	500,000	0.0355%
Mr. Wang Hong	Beneficial owner	Personal interest	546,898	150,000	0.0272%
Mr. Zheng Shaoping	Beneficial owner	Personal interest	—	300,000	0.0117%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	170,392	—	0.0066%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,671,145	—	0.0652%
			2,799,319	2,150,000	0.1931%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2014, 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 Stock Exchange.

Apart from the share option schemes disclosed below, at no time during the year was any of the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 their 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 and any options granted under the share option scheme of the Company adopted on 26 June 1992 and terminated on 20 December 2001 and the share option scheme of the Company adopted on 20 December 2001 and terminated on 9 December 2011 (the "**Terminated Schemes**") 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 and options granted under the Terminated Schemes 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 and the Terminated Schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the relevant 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 and the Terminated Schemes 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 Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the 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 31 March 2015, the total number of shares which may be issued pursuant to the exercise of options granted under the Terminated Schemes was 19,133,000 shares.

As at 31 March 2015, the total number of shares available for issue under the Terminated Schemes and the Share Option Scheme was 266,574,123 shares, which represented approximately 10.39% of the total issued shares of the Company as at the same date.

Details of the share options outstanding at 31 December 2014 which have been granted under the Terminated Schemes are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2014	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Other changes during the year	Options held as at 31 December 2014
Directors									
Mr. Li Yinquan	25 May 2006	23.03	400,000	—	(150,000)	—	—	—	250,000
Mr. Hu Zheng	27 October 2004	11.08	14,000	—	—	(14,000)	—	—	—
	25 May 2006	23.03	400,000	—	—	—	—	—	400,000
Mr. Meng Xi	25 May 2006	23.03	200,000	—	—	—	—	—	200,000
Mr. Su Xingang	25 May 2006	23.03	350,000	—	—	—	—	—	350,000
Mr. Yu Liming	25 May 2006	23.03	500,000	—	—	—	—	—	500,000
Mr. Wang Hong	25 May 2006	23.03	150,000	—	—	—	—	—	150,000
Mr. Zheng Shaoping	25 May 2006	23.03	300,000	—	—	—	—	—	300,000
			2,314,000	—	(150,000)	(14,000)	—	—	2,150,000
Continuous contract employees									
(I) The Group	27 October 2004	11.08	500,000	—	(415,000)	(85,000)	—	—	—
	25 May 2006	23.03	11,347,000	—	(660,000)	—	—	—	10,687,000
	21 June 2006	20.91	150,000	—	—	—	—	—	150,000
(II) The CMHK	27 October 2004	11.08	40,000	—	(20,700)	(19,300)	—	—	—
Group	25 May 2006	23.03	7,710,000	—	(314,000)	—	—	—	7,396,000
			19,747,000	—	(1,409,700)	(104,300)	—	—	18,233,000
Other Eligible Person									
The Group	25 May 2006	23.03	400,000	—	(400,000)	—	—	—	—
			22,461,000	—	(1,959,700)	(118,300)	—	—	20,383,000

Notes:

1. The above outstanding share options can be exercised at any time during a period of 10 years commencing on the date of grant of the options.

2. The weighted average closing market price per share immediately before the date on which the share options were exercised was HK$26.591.

3. No share options were granted under the Terminated Schemes and the Share Option Scheme during the year.

Substantial shareholders

As at 31 December 2014, 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:

Long Positions

Name of Substantial shareholder	Capacity	Shares/underlying shares held	Percentage to total issued shares
China Merchants Group Limited	Interest of Controlled Corporation	1,894,918,269[(1,2,3)]	73.94%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,891,318,269[(2)]	73.80%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,891,318,269[(2)]	73.80%
China Merchants Union (BVI) Limited	Beneficial Owner	911,410,193[(2)]	35.57%
China Merchants Investment Development Company Limited	Beneficial Owner	715,398,622[(2)]	27.92%
Hoi Tung Marine Machinery Suppliers Limited	Interest of Controlled Corporation	243,360,576[(2)]	9.50%
Hoi Tung Investment (Yantai) Limited	Beneficial Owner	243,360,576[(2)]	9.50%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	914,134,878[(4)]	35.67%
Compass Investment Company Limited	Interest of Controlled Corporation	914,134,878[(4)]	35.67%
GUOXIN International Investment Corporation Limited	Interest of Controlled Corporation	911,410,193[(5)]	35.57%
Verise Holdings Company Limited	Interest of Controlled Corporation	911,410,193[(5)]	35.57%

Notes:

1. Each of China Merchants Steam Navigation Company Limited and China Merchants Shekou Industrial Zone Company Limited is wholly-owned by China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 1,894,918,269 shares (of which 502,676,197 shares represents interest of underlying shares of equity derivatives), which represents the aggregate of 1,891,318,269 shares deemed to be interested by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,600,000 shares deemed to be interested by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).

2. CMHK is wholly-owned by China Merchants Steam Navigation Company Limited. Each of China Merchants Investment Development Company Limited, Hoi Tung Marine Machinery Suppliers Limited and China Merchants International Finance Company Limited is in turn wholly-owned by CMHK and China Merchants Union (BVI) Limited ("**CMU**") is 50%-owned by CMHK.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,891,318,269 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 911,410,193 shares beneficially held by CMU, 715,398,622 shares beneficially held by China Merchants Investment Development Company Limited, 243,360,576 shares deemed to be interested by Hoi Tung Marine Machinery Suppliers Limited and 21,148,878 shares deemed to be interested by China Merchants International Finance Company Limited.

   As Hoi Tung Investment (Yantai) Limited is wholly-owned by Hoi Tung Marine Machinery Suppliers Limited, Hoi Tung Marine Machinery Suppliers Limited is deemed to be interested in the 243,360,576 shares beneficially held by Hoi Tung Investment (Yantai) Limited. As Best Winner Investment Limited is wholly-owned by China Merchants International Finance Company Limited, China Merchants International Finance Company Limited is deemed to be interested in the 21,148,878 shares beneficially held by Best Winner Investment Limited.

3. Top Chief Company Limited is wholly-owned by China Merchants Shekou Industrial Zone Company Limited and Orienture Holdings Company Limited is in turn wholly-owned by Top Chief Company Limited. China Merchants Shekou Industrial Zone Company Limited is deemed to be interested in the 3,600,000 shares which are deemed to be interested by Top Chief Company Limited. Such shares represent the 3,600,000 shares beneficially held by Orienture Holdings Company Limited.

4. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited on 21 May 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited, which is in turn 90%-owned by Compass Investment Company Limited, which is in turn wholly-owned by Pagoda Tree Investment Company Limited. Therefore, each of Verise Holdings Company Limited, GUOXIN International Investment Corporation Limited, Compass Investment Company Limited and Pagoda Tree Investment Company Limited is deemed to be interested in the 914,134,878 shares beneficially held by CMU.

5. According to the disclosure of interests form submitted by GUOXIN International Investment Corporation Limited on 12 June 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited. Therefore, each of Verise Holdings Company Limited and GUOXIN International Investment Corporation Limited is deemed to be interested in the 911,410,193 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.

Connected transactions

During the year ended 31 December 2014, 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 24 June 2014, China Merchants Port Services (Shenzhen) Company Limited ("**SCMPS**"), an indirect wholly-owned subsidiary of the Company, entered into a compensation agreement (the "**Compensation Agreement**") with China Merchants Shekou Industrial Zone Company Limited ("**CMSIZ**"). Pursuant to the Compensation Agreement, SCMPS agreed to return the entire portion of a parcel of land located in the construction area of Prince Bay Project of CMSIZ (the "**Returned Land**") and to demolish and relocate the fixed properties owned by SCMPS in the Returned Land before 31 December 2014. CMSIZ agreed to pay an amount of RMB111,733,013 (equivalent to approximately HK$142 million) to SCMPS as compensation for the losses and expenses incurred by SCMPS in connection with the return of the Returned Land. The Directors were of the view that the compensation provided by CMSIZ under the Compensation Agreement would afford protection to SCMPS in connection with any losses and expenses incurred, and any business disruption that might be sustained, by SCMPS in connection with the return of the Returned Land. CMSIZ is an indirect wholly-owned subsidiary of China Merchants Group Limited ("**CMG**"), the ultimate holding company of the Company. Accordingly, CMSIZ is a connected person of the Company and the transactions contemplated under the Compensation Agreement constitutes a connected transaction of the Company.

(b) Details of the continuing connected transactions of the Group for the year ended 31 December 2014 are set out below:

Name of party	Nature of transaction	Note	HK$'million
China Merchants Shekou Industrial Zone Property Company Limited ("**CMSIZ1**")	Rental of a piece of land in Shekou charged to the Group	(i)	(6.4)*
CMSIZ	Rental of a piece of land in Shekou charged to the Group	(ii)	(2.5)*
CMHK	Rental of certain properties in Hong Kong charged by the Group	(iii)	44.0
Hong Kong Ming Wah Shipping Company Limited ("**Ming Wah**")			
Shenzhen Nanyou (Group) Company Limited ("**Shenzhen Nanyou**")	Rental of a piece of land in Nanshan charged to the Group	(iv)	(1.8)*
CMSIZ	Rental of a piece of land in Nanshan charged to the Group	(v)	(7.3)*
CMSIZ	Rental of 17 parcels of land in Shekou and certain property assets charged to the Group	(vi)	(40.9)*
Euroasia Dockyard Enterprise and Development Limited ("**Euroasia**")	Rental of a piece of land at Tsing Yi Terminal charged to the Group	(vii)	(13.1)
China Merchants Property Investment Company ("**SCMPI**")	Rental of two floors of Shekou Industrial Park Building charged to the Group	(viii)	(2.7)*
CMHK	Rental of 15 residential units in Hong Kong charged to the Group	(ix)	(1.3)
China Merchants Logistics Holding Fujian Co. Ltd. ("**CMLHF**")	Rental of a parcel of land in the Zhangzhou Economic Development Zone charged to the Group	(x)	(5.4)*
CMLHF	Rental of a parcel of land in the Zhangzhou Economic Development Zone charged to the Group	(xi)	(1.4)*
SCMPI	Rental of a unit at Shenzhen Shipping Centre Main Tower charged to the Group	(xii)	(0.4)*
Shenzhen Nanyou	Rental of properties at the Ocean Centre in Shenzhen charged by the Group	(xiii)	2.7*
CMLHF	Rental of two warehouses and a depot in the Zhangzhou Economic Development Zone charged to the Group	(xiv)	(9.3)*

Name of party	Nature of transaction	Note	HK$'million
SCMPI	Rental of 14 units at Times Plaza in Shekou charged to the Group	(xv)	(4.7)*
Shenzhen China Merchants Property Management Company Limited ("**SCMPM**")	Provision of management service to the 14 units leased from SCMPI to CMCIL at Times Plaza charged to the Group	(xvi)	(0.9)*
China Merchants Logistics Holding Co. Ltd. ("**CMLH**")	Provision of information technology services charged to the Group	(xvii)	(6.1)*
Shenzhen China Merchants Technology Holdings Co., Ltd. ("**SCMT**")	Rental of a unit at Xing Xing Industrial Building in Shekou charged to the Group	(xviii)	(0.4)*
SCMPM	Provision of management service to the unit leased from SCMT to Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. ("SHESM") at Xing Xing Industrial Building charged to the Group	(xix)	(0.2)*
SCMPI	Rental of a unit at Technology Building II in Shekou charged to the Group	(xx)	(2.2)*
SCMPM	Provision of management service to the unit leased from SCMPI to China Merchants Holdings (International) Information Technology Company Limited ("CMHIT") at Technology Building II charged to the Group	(xxi)	(0.3)*
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	(xxii)	(9.3)
SCMPI	Rental of three floors of Shekou Industrial Park Building to the Group	(xxiii)	N/A
SCMPM	Provisions of management service to the property leased from SCMPI to SCT1, Chiwan Container Terminal Co., Ltd ("**CCT**"), SCMPS, Shenzhen Chiwan Wharf Holdings Limited ("**Chiwan Wharf**") and Shenzhen Haixing Harbor Development Co., Ltd. ("**Haixing**") at Shekou Industrial Zone Building charged to the Group	(xxiv)	N/A

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

Notes:

(i) On 20 May 1989, Shekou Container Terminals Limited ("**SCT1**") entered into a lease agreement with CMSIZ1 for a term of 30 years to lease a piece of land in Shekou. Under the lease agreement, the total annual rental payable for the year ended 31 December 2014 was HK$6,500,000. On 16 December 2014, the Directors resolved to raise the annual cap in respect of the lease to HK$7,841,000 for the year ending 31 December 2015. The land leased under the lease agreement is crucial to the operation of SCT1 as all its port facilities and equipment are currently affixed to it. SCT1 is an indirect 80%-owned subsidiary of the Company. CMSIZ1 is an indirect wholly-owned subsidiary of CMG and is therefore a connected person of the Company.

(ii) On 23 February 1990, CMSIZ entered into a lease agreement with South-China Cold Storage & Ice Co., Ltd. (now renamed as China Merchants International Cold Chain (Shenzhen) Company Limited) ("**CMI Cold Chain**") for a term of 25 years, commencing from 1 May 1990, to lease a piece of land in Shekou Industrial Zone. Rental under the lease agreement is subject to adjustment every three years. On 31 December 2013, CMI Cold Chain entered into a new supplemental agreement to the lease agreement with CMSIZ on 23 December 2013, pursuant to which the rental payable under the lease agreement was increased to RMB100 per square meter per annum for the period from 1 January 2014 to 30 April 2015, on which the lease agreement shall expire. The total rental payable by CMI Cold Chain is RMB2,004,088 for the year ended 31 December 2014 and RMB668,029 for the four months ended 30 April 2015. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the transaction contemplated under the lease agreement is in line with the Group's strategy to expand in port and port-related business. CMI Cold Chain is an indirect 35.7%-owned subsidiary of the Company. CMSIZ is an indirect wholly-owned subsidiary of CMG and is therefore a connected person of the Company.

(iii) Universal Sheen Investment Limited ("**Universal Sheen**"), a wholly-owned subsidiary of the Company, agreed on 24 February 2011 to renew the transactions contemplated under certain expired tenancy agreements by entering into three tenancy renewal agreements with CMHK and Ming Wah. Under the tenancy renewal agreements, Universal Sheen agreed to continue the leases of certain office space for a term of three years commencing on 1 February 2011. According to the tenancy renewal agreements, the monthly rentals of the two properties leased to CMHK are HK$2,058,720 and HK$231,640,respectively, and the monthly rental of the property leased to Ming Wah is HK$1,033,400, representing a monthly rental of HK$40 per square feet for each of the properties. In view of the expiry of the tenancy agreements on 31 January 2014, Universal Sheen entered into new tenancy agreements with CMHK on 23 December 2013, pursuant to which CMHK will continue to lease the three properties for a term of three years commencing on 1 February 2014. Under the new tenancy agreements, the monthly rentals for the three properties are HK$2,367,528, HK$1,188,410 and HK$266,386, respectively, representing a monthly rental of HK$46 per square feet for each of the properties and an aggregate amount of rental receivable of HK$42,045,564 for the 11 months ended 31 December 2014, HK$42,671,256 for each of the years ending 31 December 2015 and 2016 and HK$3,822,324 for the one month ending 31 January 2017.The Directors believe that the tenancy under the tenancy renewal agreements will generate steady, recurrent and satisfactory rental income for the Company. Each of CMHK and Ming Wah is a wholly-owned subsidiary of CMG and is therefore a connected person of the Company.

(iv) On 23 December 2013, China Merchants Bonded Logistics Ltd ("**CMBL**"), an indirect subsidiary of the Company, entered into a lease agreement with Shenzhen Nanyou to renew the lease of a piece of land in Shenzhen Qianhaiwan Logistics Park, Nanshan District, Shenzhen with a total area of 18,332.30 square meters for a term of six months commencing on 1 January 2014 and ending on 30 June 2014. The rental payable by CMBL to Shenzhen Nanyou for the six months ended 30 June 2014 was RMB714,959.40. Under the lease agreement, CMBL and Shenzhen Nanyou agreed that if they were unable to agree on a lower rental when the lease agreement expired on 30 June 2014, CMBL would continue to lease the piece of land from Shenzhen Nanyou on the same rental and terms as set out in the lease agreement. Since no lower rental was agreed between CMBL and Shenzhen Nanyou when the lease agreement expired on 30 June 2014, CMBL continued to lease the piece of land from Shenzhen Nanyou on the same rental and terms until 31 December 2014. The total annual rental payable by CMBL under the lease agreement is RMB1,429,918.80 for the period from 1 January 2014 to 31 December 2014. On 16 December 2014, in view of the expiry of the lease agreement on 31 December 2014, CMBL and Shenzhen and Nanyou entered into a new lease agreement, with a term of one year commencing on 1 January 2015. The rental payable by CMBL to Shenzhen Nanyou under the new lease agreement is RMB 119,159.90 per month, representing a rental of RMB6.5 per square meter per month. The total rental payable for the year ended 31 December 2015 is RMB1,429,918.80. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the transaction contemplated under the lease agreement is in line with the Group's strategy to expand in port and port-related business and will strengthen the Group's position in Shenzhen. Shenzhen Nanyou is a 76%-owned subsidiary of CMG. Accordingly, Shenzhen Nanyou is a connected person of the Company.

(v) On 23 December 2013, CMBL and CMSIZ entered into a lease agreement to renew the lease of the piece of land in Shenzhen Qianhaiwan Logistics Park for a term of two years commencing on 1 January 2014. The annual rental payable by CMBL to CMSIZ for the year ended 31 December 2014 and the year ended 31 December 2015 under the lease agreement is RMB5,823,873.60. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the transaction contemplated under the lease agreement is beneficial to the Group and assists in maintaining the Group's sustainable growth. CMSIZ is an indirect wholly-owned subsidiary of CMG. Accordingly, CMSIZ is a connected person of the Company.

(vi) China Merchants Port Services (Shenzhen) Company Limited ("**SCMPS**") and CMSIZ entered into two lease agreements on 23 December 2013 to continue to lease in aggregate 17 parcels of land in Shekou Industrial Park and certain property assets from CMSIZ for a term of two years commencing on 1 January 2014. The total rental paid by SCMPS to CMSIZ under the new lease agreements for the year ended 31 December 2014 was approximately RMB32,485,395. On 16 December 2014, the Directors resolved that the annual cap in respect of the lease agreements for the year ended 31 December 2015 will be RMB46,363,740. The Directors are of the view that the transactions contemplated under the lease agreements are in line with the Group's strategy to expand in port and port-related business. CMSIZ is an indirect wholly-owned subsidiary of CMG. Accordingly, CMSIZ is a connected person of the Company.

(vii) China Merchants Container Services Limited ("**CMCS**"), an indirect wholly-owned subsidiary of the Company and Euroasia entered into a new cooperation agreement on 23 December 2013 to renew the lease of the piece of land in Tsing Yi for a term of two years commencing on 1 January 2014. The annual rental payable by CMCS to Euroasia under the new cooperation agreement is HK$13,050,312. In addition to rental, CMCS is also responsible for any additional government rates and land premium payable to the Government of Hong Kong in respect of the leased land. On 16 December 2014, the Directors resolved to raise the annual cap in respect of the cooperation agreement to HK$13,100,000 for the year ending 31 December 2015. The Directors are of the view that the transaction contemplated under the cooperation agreement is in line with the Group's strategy to expand in port and port-related business. As Euroasia is an indirect wholly-owned subsidiary of CMG, it is a connected person of the Company.

(viii) On 30 October 2012, CMH International (China) Investment Co., Ltd. ("**CMCIL**") and SCMPI entered into a renewal agreement to extend the leasing of two floors of Shekou Industrial Park Building with a total area of 2,226 square meters under the expired lease agreement for a term of two years commencing on 1 January 2013 at an annual rental of RMB2,163,672. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the transaction contemplated under the lease agreement is in line with the Group's strategy to expand in port and port-related business. SCMPI is an indirect subsidiary of CMG and hence a connected person of the Company.

(ix) On 30 October 2012, the Company entered into a lease agreement with CMHK to extend the lease of a total of 15 residential units in the Western District in Hong Kong as staff quarters for employees of the Group who are seconded to Hong Kong for a term of two years commencing on 1 January 2013 at a total annual rental of HK$1,260,000. On 16 December 2014, in view of the expiry of the lease agreement on 31 December 2014, the Company and CMHK entered into a new lease agreement to renew the lease of the 15 residential units for a term of two years commencing on 1 January 2015. The annual rental payable by the Company to CMHK under the new lease agreement remains at HK$1,260,000. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the various residential units in Hong Kong from CMHK at a relatively lower rental as compared to market rental is beneficial to the Group as it will result in cost savings, and which will facilitate the provision of more cost effective support and ancillary services to the Group. CMHK is a wholly-owned subsidiary of CMG and hence a connected person of the Company.

(x) On 30 October 2012, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") entered into a new lease agreement with CMLHF to lease a parcel of land in the Zhangzhou Economic Development Zone with a total area of 90,226.769 square meters to be used as a depot for a term of three years commencing on 1 November 2012. The total annual rental payable by ZCMP to CMLHF under the lease agreement is RMB7,130,000 for the year ended 31 December 2014 and RMB6,300,000 for the ten months ending 31 October 2015. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the depot under the lease agreement will facilitate a smooth business operation of the Group's port and port-related business in light of the shortage of depot. CMLHF is an indirect subsidiary of CMG and hence a connected person of the Company.

(xi) On 30 October 2012, ZCMP entered into a new lease agreement with CMLHF to lease a parcel of land in the Zhangzhou Economic Development Zone with a total area of 12,600 square meters to be used as a warehouse for a term of three years commencing on 1 November 2012. The annual rental payable by ZCMP to CMLHF under the lease agreement is RMB2,268,000 for the year ended 31 December 2014 and RMB1,890,000 for the ten months ending 31 October 2015. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the warehouse under the lease agreement will facilitate a smooth business operation of the Group's port and port-related business in light of the shortage of warehouse. CMLHF is an indirect subsidiary of CMG and hence a connected person of the Company.

(xii) On 30 October 2012, CMCIL and SCMPI entered into a lease agreement to renew the leasing of a unit in Shenzhen Shipping Centre Main Tower with a total area of 226.07 square meters for a term of two years commencing on 1 January 2013. The rental payable under the lease agreement is RMB1,260 per square meter per annum, representing a total rental payable by CMCIL to SCMPI of RMB284,844 for each of the years ended 31 December 2013 and 31 December 2014. On 16 December 2014, in view of the expiry of the lease agreement on 31 December 2014, CMCIL and SCMPI entered into a new lease agreement to renew the lease of the unit in Shenzhen Shipping Centre Main Tower for a term of two years commencing on 1 January 2015. The annual rental payable by CMCIL to SCMPI under the new lease agreement is RMB1,416 per square meter per annum, representing a total rental payable of RMB320,115.12 for each of the years ending 31 December 2015 and 31 December 2016. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the continuous leasing of the properties in Shenzhen Shipping Centre Main Tower will facilitate a smooth business operation of the Group's port and port-related business. SCMPI is an indirect subsidiary of CMG and hence a connected person of the Company.

(xiii) On 2 September 2013, Shenzhen Malai Storage Company Limited ("**SZW**"),an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement with Shenzhen Nanyou pursuant to which SZW leased the properties located at Rooms 701A, 701B and 702 of Immigration Building, Ocean Centre, Linhai Avenue, Nanshan District, Shenzhen, the PRC, with a total area of 2,333.89 square meters to Shenzhen Nanyou for a term of one year from 1 September 2013. The monthly rental receivable under the new tenancy agreement is RMB75 per square meter and the total rental received for the four months ended 31 December 2013 is RMB700,168, and the total rental receivable for the eight months ending 31 August 2014 is RMB1,400,336. On 26 August 2014, the tenancy agreement was extended from 1 September 2014 to 31 December 2015. The total rental received for the year ended 31 December 2014 is RMB2,147,180. The transaction contemplated under the new tenancy agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the transactions contemplated under new tenancy agreement will generate steady, recurrent and satisfactory rental income for the Company. Shenzhen Nanyou is a 76%-owned subsidiary of CMG and hence a connected person of the Company.

(xiv) On 6 March 2013, ZCMP entered into a lease agreement with CMLHF pursuant to which CMLHF leased two warehouses with a total area of 25,000 square meters and a depot with a total area of 45,000 square meters in the Zhangzhou Economic Development Zone, Fujian Province, the PRC to ZCMP for a term of three years commencing on 1 March 2013. Under the lease agreement, the monthly rental payable for the warehouses is RMB15 per square meter for the twelve months ended 28 February 2014, RMB15.45 per square meter for the twelve months ending 28 February 2015 and RMB15.91 per square meter for the twelve months ending 29 February 2016, whereas the monthly rental payable for the depot is RMB6 per square meter for the twelve months ended 28 February 2014, RMB6.18 per square meter for the twelve months ending 28 February 2015 and RMB6.36 per square meter for the twelve months ending 29 February 2016. The aggregate amount of the rental payable under the lease agreement is RMB7,933,500 and RMB8,168,200 for the year ended 31 December 2014 and the year ending 31 December 2015 respectively and RMB1,367,900 for the two months ending 29 February 2016. An operational fee shall be payable by ZCMP under the lease agreement and the amount payable shall depend on the annual intake of goods of the warehouses and depots. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the warehouses and depot under the lease agreement will facilitate the expansion of the business of the Company and the smooth business operation of the Group's port and port-related business. CMLHF is an indirect subsidiary of CMG and hence a connected person of the Company.

(xv) On 8 April 2013, CMCIL entered into an office lease agreement with SCMPI pursuant to which SCMPI leased 3 units on the 24th floor and 11 units on the 26th floor of Times Plaza located at Shekou, Nanshan District, Shenzhen, the PRC with a total area of 394.23 square meters and 1,752.92 square meters, respectively, to CMCIL for a term of one year commencing on 1 April 2013 to be used as offices of the Company. The monthly rental payable for the 3 units located on the 24th floor of Times Plaza is RMB127.2 per square meter. The monthly rental payable for the 11 units located on the 26th floor of Times Plaza is RMB133.25 per square meter. The aggregate amount of the rental payable for all the 14 units under the office lease agreement is RMB851,169 for the three months ended 31 March 2014. In view of the expiry of the lease on 31 March 2014, CMCIL and SCMPI entered into two lease extension agreements on 2 April 2014 to extend the lease for the 14 units for a term of one year commencing on 1 April 2014. The aggregate amount of the rental payable for all the 14 units under the extended office lease agreement is RMB2,846,385 for the nine months ended 31 December 2014 and RMB948,795 for the three months ended 31 March 2015. The transaction contemplated under the office lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. In light of the expansion of the business of the Company and the increase in the number of employees of the Company, the Directors are of the view that the leasing of the units under the office agreement from SCMPI will enhance the efficiency of the business operation of the Company. SCMPI is an indirect subsidiary of CMG and hence a connected person of the Company.

(xvi) On 8 April 2013, SCMPM and CMCIL entered into a management service agreement under which SCMPM agreed to provide management services to the 14 units leased from SCMPI to CMCIL under the office agreement for the period from 15 March 2013 and ended on 31 March 2014. Under the management service agreement, a monthly management services fee of RMB31.5 per square meter is payable by CMCIL to SCMPM. The aggregate amount of the management services fee payable under the management service agreement is RMB202,906 for the three months ended 31 March 2014. In view of the expiry of the management service agreement on 31 March 2014, SCMPM and CMCIL entered into two new management service agreements on 2 April 2014 to extend the provision of management service for a term of one year commencing on 1 April 2014. The aggregate amount of the management services fee payable under the extended management services agreement is RMB608,717 for the nine months ended 31 December 2014 and RMB202,906 for the three months ended 31 March 2015. The transaction contemplated under the management service agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. In light of the expansion of the business of the Company and the increase in the number of employees of the Company, the Directors are of the view that the provision of management services by SCMPM under the management service agreement will enhance the efficiency of the business operation of the Company. SCMPM is an indirect subsidiary of CMG and hence a connected person of the Company.

(xvii) On 20 June 2013, China Merchants Americold (Hong Kong) Holdings Company Limited ("**CMAH**"), an indirect subsidiary of the Company, entered into an information technology services agreement with CMLH pursuant to which CMLH agreed to provide to CMAH a data centre in Qianhai and not less than 100 SAP end user account licenses. Furthermore, CMLH will build and develop an information technology system and will provide maintenance and training services to CMAH. The term of the information technology services agreement is three years commencing on 1 April 2013, renewable for a further term of two years if both parties do not object. The fee payable by CMAH to CMLH under the information technology services agreement for the provision of the data centre and the SAP licenses is RMB4,837,500 for the year ended 31 December 2014, RMB5,321,250 for the year ending 31 December 2015 and RMB1,361,250 for the three months ending 31 March 2016. In respect of the services to be provided by CMLH to CMAH for the development of the information technology system and maintenance and training, CMAH shall pay CMLH RMB3,000 per day for each person provided by CMLH for the provision of such services. The Directors are of the view that the provision of the services by CMLH under the information technology services agreement will enhance the efficiency of the business operation of the Company and aligns with the Group's objective to roll out the SAP system within the Group. Further, the provision of services by CMLH at a relatively lower fee as compared to market fee is beneficial to the Group as it will result in cost savings, which will facilitate the provision of more cost-effective support and ancillary services to the Group. CMLH is an indirect subsidiary of CMG and hence a connected person of the Company.

(xviii) On 20 June 2013, SHESM, an indirect wholly-owned subsidiary of the Company, entered into an office lease agreement with SCMT pursuant to which SCMT leased a unit on the 5th Floor of Xing Xing Industrial Building located at the Shekou Industrial Zone, Nanshan District, Shenzhen, the PRC with a total area of 1,262.41 square meters to SHESM for a term of two years commencing on 1 August 2013 to be used as office. The monthly rental payable under the office lease agreement is RMB55 per square meter. The aggregate amount of rental payable under the office lease agreement is RMB833,196 for the year ending 31 December 2014 and RMB486,031 for the seven months ending 31 July 2015. The transaction contemplated under the office lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the unit under the office lease agreement from SCMT is required for the business operation of the Company, and the leasing of the unit at a relatively lower rental as compared to market rental is beneficial to the Group as it will result in cost savings. SCMT is an indirect subsidiary of CMG and hence a connected person of the Company.

(xix) On 23 December 2013, SHESM and SCMPM entered into a management service agreement, under which SCMPM agreed to provide management services for the unit leased from SCMT to SHESM on the 5th Floor of Xing Xing Industrial Building for a term of one year from 1 January 2014 to 31 December 2014 and shall be automatically renewed for one additional year at the end of each term if both parties have no objection. Under the management service agreement, the monthly management service fee is RMB11 per square meter and the monthly maintenance fee is RMB0.25 per square meter. The aggregate amount of management service fee paid under the management service agreement for the year ended 31 December 2014 is RMB171,090 and the aggregate amount of management service fee payable for the year ended 31 December 2015 will remain at RMB171,090. The transaction contemplated under the management service agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the provision of management services by SCMPM are required for the business operation of the Company. SCMPM is an indirect subsidiary of CMG and hence a connected person of the Company.

(xx) On 23 December 2013, CMHIT, an indirect subsidiary of the Company in which the Company holds a 76.84% interest, entered into a lease agreement with SCMPI to lease a unit located at Room A401, Technology Building II, 1057 Nanhai Road, Shekou, Nanshan District, Shenzhen, the PRC from SCMPI for a term of two years commencing on 1 March 2014 to be used as its offices. Under the lease agreement, the total rental payable is RMB1,770,700 for the ten months ended 31 December 2014, RMB2,124,840 for the year ending 31 December 2015 and RMB354,140 for the two months ending 28 February 2016. In June 2014, SCMPI transferred the unit to its wholly owned subsidiary, 深圳市科大二期置業管理有限公司, which has since continued to perform the lease agreement. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the unit under the office lease agreement from SCMPI and 深圳市科大二期置業管理有限公司 is required for the business operation of the Company, and the leasing of the unit at a relatively lower rental as compared to market rental is beneficial to the Group as it will result in cost savings. SCMPI is an indirect subsidiary of CMG and hence a connected person of the Company.

(xxi) On 23 December 2013, CMHIT and SCMPM entered into a management service agreement pursuant to which SCMPM agreed to provide management services to the unit at Room A401, Technology Building II, 1057 Nanhai Road, Shekou, Nanshan District, Shenzhen, the PRC leased from SCMPI to CMHIT for a term of one year commencing on 1 March 2014. Under the management service agreement, a monthly management service fee (inclusive of maintenance fees) of RMB8 per square meter is payable by CMHIT to SCMPM. The total management service fee payable under the management service agreement is RMB236,094 for the ten months ended 31 December 2014 and RMB47,218.80 for the two months ending 28 February 2015.The transaction contemplated under the management service agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the provision of management services by SCMPM are required for the business operation of the Company. SCMPM is an indirect subsidiary of CMG and hence a connected person of the Company.

(xxii) On 23 December 2013, CMCS and Yiu Lian entered into a ship berthing services agreement, pursuant to which Yiu Lian agreed to provide barges for bringing ships into and from the Tsing Yi Terminal for the year ended 31 December 2014 at a rate of HK$3,000 per barge. The aggregate ship berthing fees paid by CMCS to Yiu Lian under the ship berthing services agreement for the year ended 31 December 2014 was HK$9,275,802. On 16 December 2014, in view of the expiry of the ship berthing services agreement, CMCS and Yiu Lian entered into a new ship berthing services agreement for the year ending 31 December 2015, pursuant to which Yiu Lian agreed to continue to provide barges at a rate of not higher than HK$3,150 per barge. The aggregate ship berthing fees payable by CMCS under the ship berthing services agreement for the year ending 31 December 2015 is estimated to be HK$12,000,000.The Directors are of the view that the provision of ship berthing services by Yiu Lian will enhance the efficiency of the business operation of the Company and the ship berthing rate is at a relatively lower fee as compared to market fee, which is beneficial to the Group as it will result in cost savings. Yiu Lian is an indirect wholly-owned subsidiary of CMG and hence is a connected person of the Company.

(xxiii) On 16 December 2014, SCMPI, SCT1, CCT, SCMPS, Chiwan Wharf and Haixing entered into a lease agreement, pursuant to which SCMPI agreed to lease the 4th, 5th and 6th floors of Shekou Industrial Park Building on Gangwan Ave, Nanshan District, Shenzhen, the PRC with a total area of 3,339 square meters to the other parties for a term of two years commencing on 1 January 2015 to be provided to Shekou Maritime Safety Administration for its customs office. CCT and Haixing are indirect subsidiaries of the Company. The aggregate monthly rental payable by SCT1, CCT, SCMPS, Chiwan Wharf and Haixing to SCMPI is RMB293,832, representing a rental of RMB88 per square meter per month. The annual rental payable is RMB3,525,984 for each of the years ending 31 December 2015 and 31 December 2016. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the leasing of the office under the lease agreement will facilitate a smooth business operation of the Group's port and port-related business. SCMPI is a subsidiary of CMG and hence a connected person of the Company.

(xxiv) On 16 December 2014, SCT1, CCT, SCMPS, Chiwan Wharf and Haixing entered into a management service agreement with SCMPM, pursuant to which SCMPM agreed to provide management services in relation to the properties leased from SCMPI to SCT1, CCT, SCMPS, Chiwan Wharf and Haixing for a term of one year commencing on 1 January 2015. The aggregate monthly service fee payable by SCT1, CCT, SCMPS, Chiwan and Haixing to SCMPM is RMB32,555.30, representing a management service fee of RMB9.75 per square meter per month. The annual management service fee payable is RMB390,663.60 for the year ending 31 December 2015.The transaction contemplated under the management service agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. The Directors are of the view that the provision of management services by SCT1, CCT, SCMPS, Chiwan Wharf and Haixing are required for the business operation of the Company. SCMPM is a subsidiary of CMG and hence a connected person of the Company.

(c) The Independent Non-executive Directors have reviewed the continuing connected transactions set out in paragraph (b) of this section above. In their opinion, these transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-executive Directors further opined that:

(i) in respect of the lease by CMSIZ1 to SCT1, details of which are set out in note (i) to paragraph (b) of this section, the aggregate rental has not exceeded HK$6,500,000, the annual cap for the year ended 31 December 2014;

(ii) in respect of the lease by CMSIZ to CMI Cold Chain of a piece of land in Shekou, details of which are set out in note (ii) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(iii) in respect of the lease by Universal Sheen to CMHK of certain properties in Hong Kong, details of which are set out in note (iii) to paragraph (b) of this section, the aggregate rental received for the year ended 31 December 2014 based on the tenancy renewal agreements has not exceeded the annual cap of HK$45,369,324;

(iv) in respect of the lease by Shenzhen Nanyou to CMBL of a piece of land in Nanshan, details of which are set out in note (iv) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(v) in respect of the lease by CMSIZ to CMBL of a piece of land in Nanshan, details of which are set out in note (v) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(vi) in respect of the leases by CMSIZ to SCMPS of 17 parcels of land in Shekou and certain property assets under the two lease agreements entered into on 23 December 2013, details of which areset out in note (vi) to paragraph (b) of this section, the aggregate rental has not exceeded RMB46,363,740, the annual cap for the year ended 31 December 2014;

(vii) in respect of the lease by Euroasia to CMCS of a piece of land at Tsing Yi Terminal, details of which are set out in note (vii) to paragraph (b) of this section, the aggregate rental has not exceeded HK$13,100,000, the annual cap for the year ended 31 December 2014;

(viii) in respect of the lease by SCMPI to CMCIL of two floors of Shekou Industrial Park Building, details of which are set out in note (viii) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(ix) in respect of the lease by CMHK to the Company of 15 residential units in Hong Kong, details of which are set out in note (ix) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(x) in respect of the lease by CMLHF to ZCMP of a parcel of land in the Zhangzhou Economic Development Zone, details of which are set out in note (x) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xi) in respect of the lease by CMLHF to ZCMP of a parcel of land in the Zhangzhou Economic Development Zone, details of which are set out in note (xi) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xii) in respect of the lease by SCMPI to CMCIL of a unit at Shenzhen Shipping Centre Main Tower, details of which are set out in note (xii) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xiii) in respect of the lease by SZW to Shenzhen Nanyou of the properties at Ocean Centre in Shenzhen, details of which are set out in note (xiii) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xiv) in respect of the lease by CMLHF to ZCMP of two warehouses and a depot in the Zhangzhou Economic Development Zone, details of which are set out in note (xiv) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xv) in respect of the lease by SCMPI to CMCIL of 14 units at Time Plaza in Shekou, details of which are set out in note (xv) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xvi) in respect of the provision of management service by SCMPM to CMCIL in relation to the 14 units leased by SCMPI to CMCIL at Time Plaza in Shekou, details of which are set out in note (xvi) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xvii) in respect of the provision of information technology services by CMLH to CMAH, details of which are set out in note (xvii) to paragraph (b) of this section, the aggregate fees has not exceeded RMB9,637,500, the annual cap for the year ended 31 December 2014;

(xviii) in respect of the lease by SCMT to SHESM of the unit at Xing Xing Industrial Building in Shekou, details of which are set out in note (xviii) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xix) in respect of the provision of management service by SCMPM to SHESM in relation to the unit leased by SCMT to SHESM at Xing Xing Industrial Building in Shekou, details of which are set out in note (xix) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xx) in respect of the lease by SCMPI to CMHIT of the unit at Technology Building II in Shekou, details of which are set out in note (xx) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xxi) in respect of the provision of management service by SCMPM to CMHIT in relation to the unit at Technology Building II in Shekou, details of which are set out in note (xxi) to paragraph (b) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2014;

(xxii) in respect of the provision of ship berthing services by Yiu Lian to CMCS, details of which are set out in note (xxii) to paragraph (b) of this section, the aggregate service fee paid for the year ended 31 December 2014 based on the ship berthing services agreement has not exceeded the annual cap of HK$9,300,000;

(xxiii) in respect of the lease by SCMPI to SCT1, CCT, SCMPS, Chiwan Wharf and Haixing of 4th, 5th and 6th floors of Shekou Industrial Zone Building, details of which are set out in note (xxiii) to paragraph (b) of this section, the lease agreement commenced on 1 January 2015 and there was no rental paid for the year ended 31 December 2014;

(xxiv) in respect of the provision of management service by SCMPM to SCT1, CCT, SCMPS, Chiwan Wharf and Haixing in relation to the properties leased from SCMPI to SCT1, CCT, SCMPS, Chiwan Wharf and Haixing, details of which are set out in note (xxiv) to paragraph (b) of this section, the management service agreement commenced on 1 January 2015 and there was no management service fee paid by SCT1, CCT, SCMPS, Chiwan Wharf and Haixing to SCMPM for the year ended 31 December 2014; and

(xxv) certain lease agreements and management service agreements, details of which are set out in notes (i), (ii), (iv), (v), (vi), (vii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xix), (xx), (xxi), (xxiii) and (xxiv) to paragraph (b) of this section, are of a similar nature or otherwise connected, and thus will need to be aggregated as if there were one transaction. The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of these agreements exceed 0.1% but are below 5%, therefore these transactions are exempt from the circular and shareholders' approval requirements under 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 "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 pages 54 to 61 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Management contracts

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

Major customers and suppliers

The aggregate amount of sales and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total sales and purchases in 2014, respectively.

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.

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 the Listing Rules.

Auditor

At the annual general meeting of the Company held on 31 May 2012, Messrs. PricewaterhouseCoopers retired as the auditor of the Company and Deloitte Touche Tohmatsu was appointed as the new auditor of the Company.

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.

On behalf of the Board
Li Jianhong
Chairman
Hong Kong, 31 March 2015

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED
招商局國際有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Merchants Holdings (International) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 172, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap.622) (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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2014, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Note	2014 HK$'million	2013 HK$'million
Revenue	5	**8,257**	7,758
Cost of sales		**(4,737)**	(4,522)
Gross profit		**3,520**	3,236
Other (losses)/gains, net	8	**(110)**	438
Other income	8	**198**	176
Administrative expenses		**(1,017)**	(860)
Operating profit		**2,591**	2,990
Finance income	12	**164**	55
Finance costs	12	**(1,023)**	(1,073)
Finance costs, net	12	**(859)**	(1,018)
Share of profits less losses of			
Associates		**4,105**	3,266
Joint ventures		**332**	543
		4,437	3,809
Profit before taxation		**6,169**	5,781
Taxation	13	**(1,151)**	(842)
Profit for the year	7	**5,018**	4,939
Attributable to:			
Equity holders of the Company		**4,526**	4,213
Non-controlling interests		**492**	726
Profit for the year		**5,018**	4,939
Dividends	14	**1,971**	1,945
Earnings per share for profit attributable to equity holders of the Company	15		
Basic (HK cents)		**159.41**	166.89
Diluted (HK cents)		**159.28**	166.59

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'million	2013 HK$'million
Profit for the year	**5,018**	4,939
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	**(1,066)**	1,350
Increase in fair value of available-for-sale financial assets, net of deferred taxation	**1,371**	6
Share of investment revaluation reserve of associates	**180**	(197)
Items that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates and a joint venture	**96**	51
Share of net actuarial (loss)/gain on defined benefit plans of associates	**(29)**	13
Total other comprehensive income for the year, net of tax	**552**	1,223
Total comprehensive income for the year	**5,570**	6,162
Total comprehensive income attributable to:		
Equity holders of the Company	**5,272**	5,224
Non-controlling interests	**298**	938
	5,570	6,162

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'million	2013 HK$'million
ASSETS			
Non-current assets			
Goodwill	16	**3,167**	3,318
Intangible assets	16	**5,650**	5,274
Property, plant and equipment	17	**19,982**	19,034
Investment properties	18	**1,757**	1,839
Land use rights	19	**7,938**	7,967
Interests in associates	21	**37,731**	36,213
Interests in joint ventures	22	**6,408**	5,729
Other financial assets	23	**4,215**	2,523
Other non-current assets	24	**1,645**	1,371
Deferred tax assets	35	**58**	121
		88,551	83,389
Current assets			
Inventories	25	**108**	94
Other financial assets	23	**580**	558
Debtors, deposits and prepayments	26	**3,693**	1,627
Taxation recoverable		**3**	1
Cash and bank balances	27	**9,501**	3,205
		13,885	5,485
Non-current assets held for sale	28	—	317
		13,885	5,802
Total assets		**102,436**	89,191

	Note	2014 HK$'million	2013 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**17,918**	253
Mandatory convertible securities	30	**15,280**	—
Reserves		**32,821**	46,956
Proposed dividend	14	**1,411**	1,390
		67,430	48,599
Non-controlling interests		**7,716**	7,827
Total equity		**75,146**	56,426
LIABILITIES			
Non-current liabilities			
Loans from shareholders	32	**1,065**	10,013
Other financial liabilities	33	**12,231**	14,528
Other non-current liabilities	34	**1,421**	1,523
Deferred tax liabilities	35	**2,208**	1,949
		16,925	28,013
Current liabilities			
Creditors and accruals	36	**3,094**	2,126
Loans from shareholders	32	**1,318**	78
Other financial liabilities	33	**5,357**	2,339
Taxation payable		**596**	209
		10,365	4,752
Total liabilities		**27,290**	32,765
Total equity and liabilities		**102,436**	89,191
Net current assets		**3,520**	1,050
Total assets less current liabilities		**92,071**	84,439

The consolidated financial statements on pages 68 to 172 were approved and authorised for issue by the Board of Directors on 31 March 2015 and are signed on its behalf by:

Mr. Li Jianhong

DIRECTOR

Mr. Hu Jianhua

DIRECTOR

Statement of Financial Position

As at 31 December 2014

	Note	2014 HK$'million	2013 HK$'million
ASSETS			
Non-current assets			
Property, plant and equipment	17	**2**	2
Interests in subsidiaries	20(d)	**37,643**	33,818
		37,645	33,820
Current assets			
Debtors, deposits and prepayments	26	**97**	6
Advances to subsidiaries	20(d)	**4,720**	1,357
Cash and bank balances	27	**6,869**	392
		11,686	1,755
Total assets		**49,331**	35,575
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**17,918**	253
Mandatory convertible securities	30	**15,280**	—
Reserves		**5,947**	21,432
Proposed dividend	14	**1,411**	1,390
Total equity		**40,556**	23,075
LIABILITIES			
Non-current liabilities			
Loan from a shareholder		**—**	3,877
Advances from subsidiaries	20(d)	**5,265**	8,471
Other non-current liabilities		**8**	17
		5,273	12,365
Current liabilities			
Advances from subsidiaries	20(d)	**3,449**	60
Creditors and accruals	36	**53**	75
		3,502	135
Total liabilities		**8,775**	12,500
Total equity and liabilities		**49,331**	35,575
Net current assets		**8,184**	1,620
Total assets less current liabilities		**45,829**	35,440

Mr. Li Jianhong

DIRECTOR

Mr. Hu Jianhua

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total
		Share capital HK$'million	Mandatory convertible securities HK$'million	Share premium HK$'million	Other reserves HK$'million (note 31(a))	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2014		253	—	16,713	8,316	23,317	48,599	7,827	56,426
COMPREHENSIVE INCOME									
Profit for the year		—	—	—	—	4,526	4,526	492	5,018
Other comprehensive income/(expense)									
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	—	—	(871)	—	(871)	(195)	(1,066)
Increase in fair value of available-for-sale financial assets, net of deferred taxation		—	—	—	1,370	—	1,370	1	1,371
Share of reserves of associates		—	—	—	276	—	276	—	276
Share of net actuarial loss on defined benefit plans of associates		—	—	—	—	(29)	(29)	—	(29)
Total other comprehensive income/(expense) for the year, net of tax		—	—	—	775	(29)	746	(194)	552
Total comprehensive income for the year		—	—	—	775	4,497	5,272	298	5,570
Balance carried forward		253	—	16,713	9,091	27,814	53,871	8,125	61,996

	Note	Share capital HK$'million	Mandatory convertible securities HK$'million	Share premium HK$'million	Other reserves HK$'million (note 31(a))	Retained earnings HK$'million	Total HK$'million	Non-controlling interests HK$'million	Total HK$'million
		Attributable to equity holders of the Company							
Balance brought forward		253	—	16,713	9,091	27,814	53,871	8,125	61,996
TRANSACTIONS WITH OWNERS									
Issue of shares on exercise of share options, net of share issue expenses	29(b)	33	—	7	—	—	40	—	40
Issue of mandatory convertible securities, net of issue expenses		—	15,287	—	—	—	15,287	—	15,287
Issue of shares in lieu of dividends	29(c)	793	—	—	—	—	793	—	793
Issue of shares upon conversion of mandatory convertible securities	29(d)	7	(7)	—	—	—	—	—	—
Transfer to reserves		—	—	—	396	(396)	—	—	—
Transfer from share premium upon abolition of par value	29(a)	16,720	—	(16,720)	—	—	—	—	—
Transfer upon lapse of share options		112	—	—	(114)	2	—	—	—
Capital contribution to a subsidiary		—	—	—	—	—	—	94	94
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	—	—	(51)	(51)
Dividends		—	—	—	—	(1,950)	(1,950)	(452)	(2,402)
Distribution to mandatory convertible securities holders		—	—	—	—	(611)	(611)	—	(611)
Total transactions with owners for the year		17,665	15,280	(16,713)	282	(2,955)	13,559	(409)	13,150
As at 31 December 2014		17,918	15,280	—	9,373	24,859	67,430	7,716	75,146

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million (note 31(a))	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2013		249	15,907	8,038	21,348	45,542	8,140	53,682
COMPREHENSIVE INCOME								
Profit for the year		—	—	—	4,213	4,213	726	4,939
Other comprehensive income/(expense)								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	—	1,138	—	1,138	212	1,350
Increase in fair value of available-for-sale financial assets, net of deferred taxation		—	—	6	—	6	—	6
Share of reserves of associates		—	—	(146)	—	(146)	—	(146)
Share of net actuarial gain on a defined benefit plan of an associate		—	—	—	13	13	—	13
Total other comprehensive income for the year, net of tax		—	—	998	13	1,011	212	1,223
Total comprehensive income for the year		—	—	998	4,226	5,224	938	6,162
TRANSACTIONS WITH OWNERS								
Issue of shares on exercise of share options, net of share issue expenses	29(b)	1	63	—	—	64	—	64
Issue of shares in lieu of dividends		3	743	—	—	746	—	746
Transfer to reserves		—	—	506	(506)	—	—	—
Acquisition of additional interests in subsidiaries from a non-controlling equity holder		—	—	(1,226)	—	(1,226)	(750)	(1,976)
Capital contribution to a subsidiary		—	—	—	—	—	25	25
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	—	(61)	(61)
Dividends		—	—	—	(1,751)	(1,751)	(465)	(2,216)
Total transactions with owners for the year		4	806	(720)	(2,257)	(2,167)	(1,251)	(3,418)
As at 31 December 2013		253	16,713	8,316	23,317	48,599	7,827	56,426

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 HK$'million	2013 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	37	**3,852**	3,759
Hong Kong Profits Tax paid		**(7)**	(6)
PRC corporate income tax paid		**(447)**	(405)
Withholding tax paid on dividends received		**(111)**	(194)
Dividends received from associates and joint ventures		**1,422**	2,042
Net cash generated from operating activities		**4,709**	5,196
Cash flows used in investing activities			
Interest income received		**71**	64
Proceeds from disposal of land use rights and property, plant and equipment		**350**	108
Purchase of property, plant and equipment, land use rights and port operating rights		**(3,165)**	(3,485)
Investments in associates and joint ventures		**(607)**	(5,436)
Acquisition of an available-for-sale financial asset		**(157)**	(418)
Acquisition of other financial assets		**(314)**	—
Maturity of other financial assets		**314**	—
Loans to associates		**(436)**	—
Loan to a joint venture		**(252)**	—
Placement of short-term time deposits		**—**	(11)
Short-term time deposits matured		**—**	1,397
Net cash used in investing activities		**(4,196)**	(7,781)
Net cash inflow/(outflow) before financing activities carried forward		**513**	(2,585)

	Note	2014 HK$'million	2013 HK$'million
Net cash inflow/(outflow) before financing activities brought forward		**513**	(2,585)
Cash flows from financing activities			
Net proceeds on issue of mandatory convertible securities		**15,287**	—
Net proceeds from exercise of share options		**40**	64
Proceeds from other financial liabilities		**7,143**	7,848
Net proceeds on issue of notes payable		**502**	1,255
Loans from non-controlling equity holders		**104**	98
Loans from shareholders		**620**	8,853
Capital contributions from non-controlling equity holders of a subsidiary		**94**	25
Purchase of additional interests in subsidiaries		**(8)**	(2,268)
Receipt in advance for disposal of partial interest of a subsidiary		**560**	—
Dividends paid to ordinary shareholders		**(1,157)**	(1,005)
Dividends paid to non-controlling equity holders of subsidiaries		**(445)**	(520)
Distribution to mandatory convertible securities holders		**(611)**	—
Interests paid		**(1,202)**	(1,099)
Repayment of other financial liabilities		**(6,161)**	(7,365)
Repayment of notes payable		**(629)**	(2,329)
Repayment of loans from shareholders		**(8,276)**	(579)
Repayment of capital contribution to non-controlling equity holder		**(51)**	(61)
Net cash generated from financing activities		**5,810**	2,917
Increase in cash and cash equivalents		**6,323**	332
Cash and cash equivalents at 1 January		**3,205**	2,806
Effect of foreign exchange rate changes		**(27)**	67
Cash and cash equivalents at 31 December, represented by cash and bank balances		**9,501**	3,205

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

China Merchants Holdings (International) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in ports operation, bonded logistics and cold chain operations 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 2014, China Merchants Group Limited ("CMG"), directly or indirectly, including through China Merchants Union (BVI) Limited ("CMU"), a company incorporated in British Virgin Islands held as to 50% by CMG, held an effective interest of 43.74% of the issued share capital of the Company. Pursuant to an entrustment agreement entered into between CMG and CMU, CMG has the power to direct the voting right over the approximately 22% of the total issued share capital of the Company held by CMU. CMG, directly and indirectly, including CMU, has the power to direct voting right over approximately 54.91% of the total issued share capital of the Company. Accordingly, the Directors regard CMG, a state-owned enterprise registered in the People's Republic of China ("PRC"), as being the ultimate holding company. CMG is 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 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"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules") and by transitional and saving arrangement for Part 9 of the Hong Kong Companies Ordinance (Cap. 622). 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 HKFRSs issued by 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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 characteristic 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 within the scope of HKAS 17 "Leases", 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".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of 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 existing standards and an interpretation effective in the current year but not relevant to the Group

• Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
• Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
• Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
• Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
• Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
• HK(IFRIC) - Int 21	Levies

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group

		Effective for annual periods beginning on or after (Note (a))
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 14	Regulatory Deferral Accounts	Note (b)
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKAS 1	Disclosure Initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to HKAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle	Note (c)
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle	1 July 2014
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016

Notes:

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

(b) Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

(c) Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The Group is assessing the impact of these amendments, standards and interpretation. The Group will apply these amendments and standards when respective annual periods are effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in the consolidated statement of profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 presented 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 the consolidated statement of profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to the consolidated statement of profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in the consolidated statement of profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersedes the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added to HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company consider that it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"

The amendments to HKAS 16 prohibit entities from using a revenue-based deprecation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- When the intangible asset is expressed as a measure of revenue; or
- When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for deprecation for all of its property, plant and equipment. For intangible assets, both the straight-line method and economic-usage method are applied for amortisation of intangible assets that best reflect the consumption of the economic benefits inherent in the respective intangible assets. The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact of the Group's consolidated financial statements.

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 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 that 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) ***Subsidiaries*** *(Continued)*

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, 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. The consideration transferred for the acquisition of a subsidiary is the fair values 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, 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" 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 (see note 2.21 below); and
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

(a) Business combinations (Continued)

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

The subsequent accounting for changes in the fair value of the 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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted 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.

If the business combination is achieved in stages, the acquirer's previously held interest in the acquiree is remeasured to fair value at the acquisition date in the consolidated statement of profit or loss.

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. 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 after reassessment of all identifiable assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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, with the change in carrying amount recognised in the consolidated statement of profit or loss. 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. In addition, 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.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets, including goodwill, in the consolidated financial statements.

(iii) 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. Interests in associates are accounted for using the equity method of accounting.

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)

(iii) 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 or the joint ventures to those of the Group. Under the equity method, the 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 recognise the investor's share of the profit or loss and other comprehensive income 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 other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value pursuant to the requirements of HKAS 39 with respect to the Group's investment in the associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment and recognises the amount in the consolidated statement of profit or loss. 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)

(iii) 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, 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 in accordance with HKAS 39. 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) when the equity method is discontinued.

If the ownership interest in an associate or a joint venture is reduced but the Group continues to use the equity method, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate.

2.3 Segment reporting

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

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional and the Company's and the Group's presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(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 (losses)/gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale investments, 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, a 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 the 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 the consolidated statement of profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, harbour works, buildings and dockyard, plant and machinery, furniture and equipment, vessels and ship, motor vehicles and leasehold improvements. Leasehold land classified as finance lease and 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease 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 classified as finance lease	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 50 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

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 on interests of the related borrowed funds 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 (losses)/gains, net" in the consolidated statement of profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in equity. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. 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 (losses)/gains, net".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill and intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have indefinite useful life and are carried at cost less accumulated impairment losses.

(iii) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 8 to 14 years.

(iv) 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill and intangible assets (Continued)

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. Other 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 other intangible assets are measured at 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 non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Tangible 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered from an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(i) Classification (Continued)

(a) Financial assets at fair value through profit or loss (Continued)

- the financial asset 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 HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those expected to be realised more than 12 months after the end of the reporting period, not intends or sell or consume in its normal operating cycle, or not primarily for trading purposes, and are classified as non-current assets. The Group's loans and receivables comprise debtors (included in "debtors, deposits and prepayments") and "cash and bank balances" in the consolidated statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless investment matures or management intends to dispose of within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of profit or loss within "other (losses)/gains, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of "other income" when the Group's right to receive payments is established.

Equity securities held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated in equity under the heading of "investments revaluation reserve".

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in entity under the heading of "investment revaluation reserve" are included in the consolidated statement of profit or loss as "other (losses)/gains, net".

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of "other income" when the Group's right to receive payments is established.

2.10 Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(i) *Assets carried at amortised cost* (Continued)

- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (a) adverse changes in the payment status of borrowers in the portfolio; or

  (b) national or local economic conditions that correlate with defaults on the assets in the portfolio; or
- any other objective evidence that indicate an impairment of the financial asset may exist.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of loss is recognised in the consolidated statement of profit or loss. If a loan investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For trade receivables (included as loans and receivables category), assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss - is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

2.12 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.

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 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, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within other financial liabilities in current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. 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.

Non-current assets (or disposal groups) classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probably.

2.15 Share capital and mandatory convertible securities ("MCS")

Ordinary shares and MCS are classified as equity. Incremental costs directly attributable to the issue of new shares, options or MCS are shown in equity as a deduction, net of tax, from the proceeds.

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 Other financial liabilities

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss using effective interest method over the period of such other financial liabilities.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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.

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.

2.19 Current and deferred income tax

The tax expense for the period 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.

(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 income tax

Deferred income 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. However, deferred income tax are not recognised if they arise from the initial recognition of goodwill, the deferred income 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 income tax is 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 related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

(ii) *Deferred income tax* (Continued)

Deferred income 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 liabilities or deferred tax assets 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 liabilities and deferred tax assets 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).

Deferred income 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.

(iii) *Offsetting*

Deferred income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(i) *Pension obligations*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(i) Pension obligations (Continued)

The Group contributes to defined contribution provident funds, including the scheme set up under the Hong Kong Mandatory Provident Fund 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.

(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

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.21 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share-based payments (Continued)

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and requiring an employee working in the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and services conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised on a straight-line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.22 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 lease termination penalties 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 expenditure expected to be required to settle the obligation 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.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Provision of services

Revenue from ports service, transportation income, container service and container yard management income and logistics services income are recognised when the relevant services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition (Continued)

(ii) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

(iii) Rental income

Rental income from investment property is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

2.24 Interest income

Interest income from a financial asset is recognised on a time-proportion basis using effective interest method when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.25 Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

2.26 Leases

(i) The Group as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

(i) The Group as lessee (Continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ii) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

2.27 Dividend distribution

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

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

2.28 Distribution for MCS

Distribution to the Company's MCS holders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are authorised by the Company.

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 either 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 and United States dollar.

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 as the management considers that the present exposure to foreign exchange risk is insignificant.

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.

63% (2013: 58%) of the Group's borrowings (including loans from shareholders) as at 31 December 2014 are denominated in Hong Kong dollar and United States dollar, 26% (2013: 23%) are denominated in Renminbi and 11% (2013: 19%) are denominated in Euro. 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 utilised its United States dollar denominated listed notes payable to finance its capital investments and working capital.

At 31 December 2014, if Renminbi had strengthened/weakened against the other currencies by 1% (2013: 3%) with all other variables held constant, profit for the year would have been approximately HK$36 million higher/lower (2013: HK$91 million higher/lower) mainly as a result of increase/decrease in net foreign exchange gains on translation of cash and cash equivalents, debtors, creditors and other financial liabilities denominated in non-functional currencies of the relevant group companies.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

At 31 December 2014 and 2013, no significant change on profit for the respective years as a result of the 0.1% (2013: 0.1%) strengthened/weakened of United States dollar against Hong Kong dollar.

(b) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as either available-for-sale financial assets or financial assets at fair value through profit or loss. At 31 December 2014, if there had been a 10% (2013: 10%) increase/decrease in the listed share prices with all other variables held constant, the Group's available-for-sale financial assets and financial asset at fair value through profit or loss would have increased/decreased by approximately HK$422 million (2013: HK$252 million) and HK$58 million (2013: HK$56 million) respectively. Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale financial assets. The Group is not exposed to commodity price risks and has not entered into any derivatives to manage exposures of price risk.

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

The Group's interest rate risk mainly arises from interest-bearing borrowings. Financial assets and financial liabilities issued at variable rates expose the Group to cash flow interest rate risk whilst borrowings issued 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 bank deposits as at 31 December 2014, 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 2014, if interest rates on borrowings had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been HK$62 million (2013: HK$54 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from debtors and deposits with banks and financial institutions.

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 low credit risk. For other smaller customers, management assesses their credit quality by considering its financial position, past experience and other relevant factors. The utilisation of credit limits is regularly monitored. Debtors with overdue balances will be requested to settle their outstanding balance.

The Group believes that adequate provision for doubtful debts has been made in the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

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.

(iii) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's and the Company'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 finances its working capital requirements through a combination of funds generated from operations and borrowings.

The rolling forecasts of the Group's liquidity reserve comprise undrawn bank loan facilities (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.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The tables below analyse the Group's and the Company'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 tables are the contractual undiscounted cash flows.

	Within 1 year		Between 1 and 2 years		Between 2 and 5 years		More than 5 years		Total	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Group										
Interest-bearing debts	**7,438**	3,680	**2,462**	5,785	**5,668**	16,055	**8,324**	6,750	**23,892**	32,270
Other financial liabilities	**2,951**	2,026	**—**	—	**—**	—	**—**	—	**2,951**	2,026
	10,389	5,706	**2,462**	5,785	**5,668**	16,055	**8,324**	6,750	**26,843**	34,296

Further, the Group's contingent liabilities arising from its interest in an associate is set out in note 38(e).

	Within 1 year		Between 1 and 2 years		Between 2 and 5 years		More than 5 years		Total	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Company										
Advance from subsidiaries										
(interest-bearing)	**3,449**	—	**—**	3,436	**1,796**	1,934	**4,929**	4,924	**10,174**	10,294
Other interest-bearing debt	**—**	—	**—**	—	**—**	4,501	**—**	—	**—**	4,501
Other financial liabilities	**281**	135	**8**	17	**—**	—	**—**	—	**289**	152
	3,730	135	**8**	3,453	**1,796**	6,435	**4,929**	4,924	**10,463**	14,947

Also, the Company has provided corporate guarantees on behalf of certain of its subsidiaries (note 33(c)).

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 net interest bearing debts divided by net assets 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 due to which the Group's credit ratings had, inter alia, been reaffirmed at Baa2 by Moody's Asia Pacific Limited and upgraded to BBB+ by Standard and Poor's. The net gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 HK$'million	2013 HK$'million
Loans from shareholders (note 32)	**2,383**	10,091
Other interest-bearing financial liabilities (note 33)	**17,588**	16,867
Total interest-bearing debts	**19,971**	26,958
Less: cash and bank balances (note 27)	**(9,501)**	(3,205)
Net interest-bearing debts	**10,470**	23,753
Net gearing ratios:		
Net interest-bearing debts divided by equity attributable to the Company's equity holders	**15.5%**	48.9%
Net interest-bearing debts divided by total equity	**13.9%**	42.1%

3.3 Fair value estimation

The tables below analyse the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

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

The following tables present the Group's assets that are measured at fair value at 31 December 2014 and 2013:

	31 December 2014			
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
Financial asset at fair value through profit or loss	—	—	**580**	**580**
Available-for-sale financial assets				
– listed equity investments	**3,548**	—	—	**3,548**
– unlisted equity investments	—	—	**667**	**667**
	3,548	—	**1,247**	**4,795**

	31 December 2013			
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
Financial asset at fair value through profit or loss	—	—	558	558
Available-for-sale financial assets				
– listed equity investments	1,817	—	—	1,817
– unlisted equity investments	—	—	706	706
	1,817	—	1,264	3,081

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)

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:

Financial assets at fair value through profit or loss represents preference shares issued by a privately held company incorporated in the United States. The valuation methodologies adopted is the Guideline Publicly Traded Company (the "GPTC") 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 and an expected time for the issuer to complete an initial public offering. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the financial assets at fair value through profit or loss would not be significant to the Group.

The fair value of the freely traded listed equity instruments that are accounted for as available-for-sale financial assets is valued based on the quoted prices in active markets for the identical assets directly.

The fair value of the unlisted equity instruments of a listed entity with trading restrictions that are accounted for as available-for-sale financial asset is valued based on the quoted price of the same listed entity in active market and adjusted for the factor of discount for lack of marketability.

The fair value of other unlisted equity instruments that are accounted for as available-for-sale financial assets is also valued based on the GPTC 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. If any of the significant unobservable input above was 5% higher/lower while all the other variables were held constant, the changes in fair value of the unlisted equity instruments would not be significant to the Group.

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 period.

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 following table presents the changes in level 3 instruments for the year ended 31 December 2014 and 2013:

	Financial asset at fair value through profit or loss HK$'million	Available-for-sale financial assets HK$'million	Total HK$'million
Year ended 31 December 2014			
As at 1 January 2014	**558**	**706**	**1,264**
Exchange adjustments	—	**(3)**	**(3)**
Unrealised fair value loss recognised in other comprehensive income (included in other reserves)	—	**(36)**	**(36)**
Unrealised fair value gain recognised in consolidated statement of profit or loss (included in other (losses)/gains, net)	**22**	—	**22**
As at 31 December 2014	**580**	**667**	**1,247**
Year ended 31 December 2013			
As at 1 January 2013	369	237	606
Exchange adjustments	—	6	6
Acquisition of financial instruments	—	418	418
Unrealised fair value gain recognised in other comprehensive income (included in other reserves)	—	45	45
Unrealised fair value gain recognised in consolidated statement of profit or loss (included in other (losses)/gains, net)	189	—	189
As at 31 December 2013	558	706	1,264

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)

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.

The fair values of the financial instruments included in the level 3 category have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the relevant entities of the Group.

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.

(i) 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 have been determined based on value-in-use calculations. These calculations require the use of estimates. Details of the impairment loss calculation are set out in note 16.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Key sources of estimation uncertainty (Continued)

(ii) Estimated fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the consolidated statement of profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations.

(iii) Current and deferred income tax

The Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations during the year whereas the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated amounts based on estimates of whether additional taxes will be payable by the Group. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.2 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see above), that the directors 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.

(i) Control over investees accounted for as subsidiaries

Certain entities are considered to be subsidiaries of the Company despite the interests therein are less than 50% of the issued share capital of the relevant entities. Based on the contractual power pursuant to the relevant shareholders' agreement 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. Further details are set out in note 41.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying accounting policies (Continued)

(ii) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have 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 embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties in Hong Kong measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group considers that any income taxes on disposal of its investment properties is not material.

(iii) Deferred taxation on unremitted earnings

The Group fully provides for deferred tax liabilities in relation to the unremitted earnings from the subsidiaries, associates and joint ventures.

5. REVENUE

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

	2014 HK$'million	2013 HK$'million
Ports service, transportation income, container service and container yard management income	**7,466**	7,016
Logistics services income (including rental income)	**747**	702
Gross rental income from investment properties	**44**	40
	8,257	7,758

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 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 the Group's business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing 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. Ports operation is further evaluated on a geographic basis as set out below:

  (a) Mainland China, Hong Kong and Taiwan

  - Pearl River Delta excluding Hong Kong ("PRD excluding HK")
  - Hong Kong
  - Yangtze River Delta
  - Others

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

(ii) 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 and joint ventures.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

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

Over 90% of the revenue of the Group for each of the year ended 31 December 2014 and 2013 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 year ended 31 December 2014 and 2013.

6. SEGMENT INFORMATION (Continued)

As at 31 December 2014, non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located is as follows:

	2014 HK$'million	2013 HK$'million
Mainland China, Hong Kong and Taiwan	**67,894**	65,509
Other locations	**16,384**	15,236
	84,278	80,745

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

	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
For the year ended 31 December 2014										
REVENUE										
Company and subsidiaries	**6,263**	**215**	**—**	**687**	**301**	**7,466**	**747**	**—**	**44**	**8,257**
Share of associates	**208**	**861**	**8,815**	**—**	**1,241**	**11,125**	**134**	**22,396**	**2,964**	**36,619**
Share of joint ventures	**8**	**18**	**367**	**2,136**	**—**	**2,529**	**9**	**—**	**—**	**2,538**
Total segment revenue	**6,479**	**1,094**	**9,182**	**2,823**	**1,542**	**21,120**	**890**	**22,396**	**3,008**	**47,414**
For the year ended 31 December 2013										
REVENUE										
Company and subsidiaries	6,131	190	—	653	42	7,016	702	—	40	7,758
Share of associates	192	838	8,633	—	1,117	10,780	161	18,484	2,798	32,223
Share of joint ventures	3	15	346	1,873	—	2,237	—	—	—	2,237
Total segment revenue	6,326	1,043	8,979	2,526	1,159	20,033	863	18,484	2,838	42,218

6. SEGMENT INFORMATION (Continued)

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

	For the year ended 31 December 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Operating profit/(loss)	2,549	34	65	234	(81)	2,801	(70)	–	63	(203)	(140)	2,591
Share of profits less losses of												
– Associates	61	184	2,154	–	660	3,059	35	797	214	–	214	4,105
– Joint ventures	–	–	118	220	–	338	(6)	–	–	–	–	332
	2,610	218	2,337	454	579	6,198	(41)	797	277	(203)	74	7,028
Finance costs, net	(82)	–	–	(58)	(51)	(191)	(25)	–	–	(643)	(643)	(859)
Taxation	(506)	(6)	(477)	(41)	(15)	(1,045)	(48)	(36)	(16)	(6)	(22)	(1,151)
Profit/(loss) for the year	2,022	212	1,860	355	513	4,962	(114)	761	261	(852)	(591)	5,018
Non-controlling interests	(589)	–	–	(40)	(3)	(632)	140	–	–	–	–	(492)
Profit/(loss) attributable to equity holders of the Company	1,433	212	1,860	315	510	4,330	26	761	261	(852)	(591)	4,526
Other information:												
Depreciation and amortisation	878	9	–	146	92	1,125	129	–	–	7	7	1,261
Capital expenditure	470	39	–	395	2,472	3,376	267	–	–	1	1	3,644

6. SEGMENT INFORMATION (Continued)

An analysis of the Group's 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 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Operating profit/(loss)	2,553	23	74	178	(155)	2,673	329	(10)	111	(113)	(2)	2,990
Share of profits less losses of												
– Associates	56	215	1,655	–	395	2,321	54	702	189	–	189	3,266
– Joint ventures	–	–	112	431	–	543	–	–	–	–	–	543
	2,609	238	1,841	609	240	5,537	383	692	300	(113)	187	6,799
Finance costs, net	(92)	–	–	(44)	(11)	(147)	(29)	–	–	(842)	(842)	(1,018)
Taxation	(491)	(4)	(157)	(54)	(13)	(719)	(73)	(32)	(19)	1	(18)	(842)
Profit/(loss) for the year	2,026	234	1,684	511	216	4,671	281	660	281	(954)	(673)	4,939
Non-controlling interests	(672)	–	–	(38)	(24)	(734)	8	–	–	–	–	(726)
Profit/(loss) attributable to equity holders of the Company	1,354	234	1,684	473	192	3,937	289	660	281	(954)	(673)	4,213
Other information:												
Depreciation and amortisation	919	9	–	117	31	1,076	141	–	1	6	7	1,224
Capital expenditure	741	29	–	314	2,366	3,450	468	–	–	1	1	3,919

6. SEGMENT INFORMATION (Continued)

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 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$'million	HK$'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)	24,138	234	4,297	4,429	11,010	44,108	4,472	–	1,843	7,813	9,656	58,236
Interests in associates	1,439	1,598	17,316	–	6,088	26,441	378	7,679	3,233	–	3,233	37,731
Interests in joint ventures	3	6	927	5,471	–	6,407	1	–	–	–	–	6,408
Total segment assets	25,580	1,838	22,540	9,900	17,098	76,956	4,851	7,679	5,076	7,813	12,889	102,375
Taxation recoverable												3
Deferred tax assets												58
Total assets												102,436
LIABILITIES												
Segment liabilities	(3,840)	(42)	–	(1,789)	(6,931)	(12,602)	(1,160)	–	(8)	(10,716)	(10,724)	(24,486)
Taxation payable												(596)
Deferred tax liabilities												(2,208)
Total liabilities												(27,290)

6. SEGMENT INFORMATION (Continued)

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

	As at 31 December 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$'million	HK$'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)	25,087	198	1,810	3,702	8,943	39,740	4,512	—	1,749	809	2,558	46,810
Interests in associates	1,369	1,635	15,850	—	6,545	25,399	454	7,181	3,179	—	3,179	36,213
Interests in joint ventures	3	6	901	4,819	—	5,729	—	—	—	—	—	5,729
Total segment assets	26,459	1,839	18,561	8,521	15,488	70,868	4,966	7,181	4,928	809	5,737	88,752
Non-current assets held for sale	—	—	—	59	—	59	258	—	—	—	—	317
	26,459	1,839	18,561	8,580	15,488	70,927	5,224	7,181	4,928	809	5,737	89,069
Taxation recoverable												1
Deferred tax assets												121
Total assets												89,191
LIABILITIES												
Segment liabilities	(4,793)	(37)	—	(1,594)	(4,210)	(10,634)	(992)	—	(7)	(18,974)	(18,981)	(30,607)
Taxation payable												(209)
Deferred tax liabilities												(1,949)
Total liabilities												(32,765)

7. PROFIT FOR THE YEAR

	2014 HK$'million	2013 HK$'million
Profit for the year has been arrived at after charging:		
Cost of inventories	**49**	18
Staff costs (including Directors' and chief executive's emoluments) (note 9)	**1,492**	1,329
Depreciation of property, plant and equipment	**1,063**	1,017
Amortisation of intangible assets and land use rights	**198**	207
Auditors' remuneration	**19**	16
Operating lease rentals in respect of		
– land and buildings	**216**	239
– plant and machinery	**106**	105

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

	2014 HK$'million	2013 HK$'million
Other (losses)/gains, net		
Increase in fair value of investment properties (note 18)	**22**	68
Increase in fair value of financial asset at fair value through profit or loss (note 23(b))	**22**	189
Gain on disposal of land use rights and property, plant and equipment	**59**	23
Net exchange gains	**3**	158
Impairment loss of goodwill and intangible assets (note 16(c))	**(216)**	—
	(110)	438
Other income		
Dividend income from available-for-sale financial assets		
– listed equity investments	**62**	63
– unlisted equity investments	**24**	22
Dividend income from financial asset at fair value through profit or loss	**29**	29
Others	**83**	62
	198	176

9. STAFF COSTS (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS)

	2014 HK$'million	2013 HK$'million
Wages, salaries and bonus	**1,264**	1,123
Retirement benefit scheme contributions (Note)	**228**	206
	1,492	1,329

Note: No forfeiture was utilised for the year ended 31 December 2014 (2013: nil), leaving no available balance at the year end to reduce future contributions.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments comprise payments to the following directors, which include the chief executive of the Company, by the Group in connection with the 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$'million (Note (i))	Share based payment HK$'million	Employer's contribution to pension scheme HK$'million	2014 Total HK$'million	2013 Total HK$'million
Fu Yuning (Note (ii))	—	—	—	—	—	—	—
Li Jianhong (Chairman) (Note (ii))	—	—	—	—	—	—	—
Li Xiaopeng (Vice Chairman) (Note (iii))	—	—	—	—	—	—	N/A
Li Yinquan	—	—	—	—	—	—	—
Hu Zheng	—	—	—	—	—	—	—
Meng Xi	—	—	—	—	—	—	—
Su Xingang	—	—	—	—	—	—	—
Yu Liming	—	—	—	—	—	—	—
Hu Jianhua (Managing director)	—	**0.85**	**2.14**	—	**0.16**	**3.15**	2.50
Wang Hong	—	—	—	—	—	—	—
Zheng Shaoping	—	**0.76**	**1.29**	—	**0.11**	**2.16**	1.89
Kut Ying Hay	**0.26**	—	—	—	—	**0.26**	0.26
Lee Yip Wah Peter	**0.26**	—	—	—	—	**0.26**	0.26
Li Kwok Heem John	**0.26**	—	—	—	—	**0.26**	0.26
Li Ka Fai David	**0.26**	—	—	—	—	**0.26**	0.26
Bong Shu Ying Francis	**0.26**	—	—	—	—	**0.26**	0.26
Total for the year ended 31 December 2014	**1.30**	**1.61**	**3.43**	—	**0.27**	**6.61**	
Total for the year ended 31 December 2013	1.30	1.78	2.38	—	0.23		5.69

10. DIRECTORS' AND CHIEF EXECUTIVE'S 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) Dr. Fu Yuning resigned as an executive director and Chairman of the Board of Directors of the Company on 9 May 2014. Following the resignation of Dr. Fu Yuning, Mr. Li Jianhong was appointed as the Chairman of the Board of Directors of the Company.

(iii) Mr. Li Xiaopeng was appointed as an executive director and Vice Chairman of the Board of Directors of the Company on 25 August 2014.

(iv) No Director nor the chief executive waived any emoluments in respect of the years ended 31 December 2014 and 2013.

11. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the nine (2013: eight) senior management of the Company for the year ended 31 December 2014, two (2013: two) of them are directors of the Company and their remuneration has been disclosed in note 10. The total emoluments of the remaining seven (2013: six) senior management is as follows:

	2014 HK$'million	2013 HK$'million
Salaries, other allowances and benefit-in-kinds	**5**	6
Performance related incentive payments	**6**	6
	11	12

The emoluments fell within the following bands:

	Number of senior management	
	2014	2013
Below HK$1,500,000	**2**	—
HK$1,500,001 - HK$2,000,000	**3**	5
HK$2,000,001 - HK$2,500,000	**2**	1
	7	6

11. EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2013: two) are directors (including the chief executive) and two (2013: two) are senior management of the Company whose emoluments are included in note 10 and 11(a), respectively. The total emoluments of the remaining one (2013: one) individual is as follows:

	2014 HK$'million	2013 HK$'million
Salaries, other allowances and benefit-in-kinds	**2**	2
Performance related incentive payments	**1**	—
	3	2

The emoluments fell within the band of HK$3,000,001 - HK$3,500,000 for the year ended 31 December 2014 (2013: HK$2,000,001 - HK$2,500,000).

12. FINANCE INCOME AND COSTS

	2014 HK$'million	2013 HK$'million
Finance income from:		
Interest income from bank deposits	**156**	44
Others	**8**	11
	164	55
Interest expense on:		
Bank borrowings		
– wholly repayable within five years	**(132)**	(223)
– not wholly repayable within five years	**(164)**	(39)
Listed notes payable		
– wholly repayable within five years	**(325)**	(393)
– not wholly repayable within five years	**(200)**	(199)
Unlisted notes wholly repayable within five years	**(95)**	(56)
Loans from:		
– a non-controlling equity holder of a subsidiary	**(15)**	(9)
– shareholders	**(254)**	(286)
Others	**(13)**	(39)
Total borrowing costs incurred	**(1,198)**	(1,244)
Less: amount capitalised on qualifying assets (Note)	**175**	171
Finance costs	**(1,023)**	(1,073)
Finance costs, net	**(859)**	(1,018)

12. FINANCE INCOME AND COSTS (Continued)

Note: Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.36% per annum (2013: 4.81% 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% (2013: 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 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 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.

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

	2014 HK$'million	2013 HK$'million
Current taxation		
Hong Kong Profits Tax	**5**	7
PRC corporate income tax	**455**	465
Overseas profit tax	**1**	—
PRC withholding income tax	**470**	182
Overseas withholding income tax	**16**	16
Deferred taxation		
Origination and reversal of temporary differences	**204**	172
	1,151	842

13. TAXATION (Continued)

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 companies as follows:

	2014 HK$'million	2013 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	**1,732**	1,972
Expected tax calculated at the weighted average applicable tax rate	**334**	358
Income not subject to tax	**(148)**	(244)
Expenses not deductible for tax purposes	**221**	354
Tax losses and other temporary differences not recognised	**138**	62
Utilisation of previously unrecognised tax losses	**(26)**	(8)
Withholding tax on earnings of subsidiaries, associates and joint ventures	**632**	320
Tax charge	**1,151**	842

The weighted average applicable tax rate was 19.3% (2013: 18.2%).

The amount of taxation credited to other comprehensive income represents:

	2014 HK$'million	2013 HK$'million
Deferred taxation		
Arising on income and expense recognised in other comprehensive income:		
Revaluation of available-for-sale financial assets	**168**	1

14. DIVIDENDS

	2014 HK$'million	2013 HK$'million
Interim, paid, of 22 HK cents (2013: 22 HK cents) per share	**560**	555
Final, proposed, of 55 HK cents (2013: 55 HK cents) per share	**1,411**	1,390
	1,971	1,945

Details of scrip dividends offered in respect of the 2013 final and 2014 interim dividends are set out in note 29(c).

14. DIVIDENDS (Continued)

At a meeting held on 31 March 2015, the Board of Directors proposed a final dividend of 55 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 2014 was based on 2,564,503,798 (2013: 2,527,004,412) shares in issue as at 31 March 2015.

15. EARNINGS PER SHARE

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

	2014	2013
Basic		
Profit attributable to equity holders of the Company (HK$'million)	**4,526**	4,213
Weighted average number of ordinary shares in issue (Note (a))	**2,839,277,888**	2,524,195,286
Basic earnings per share (HK cents)	**159.41**	166.89
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	**4,526**	4,213
Weighted average number of ordinary shares in issue (Note (a))	**2,839,277,888**	2,524,195,286
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	**2,281,467**	4,621,058
Weighted average number of ordinary shares for diluted earnings per share	**2,841,559,355**	2,528,816,344
Diluted earnings per share (HK cents)	**159.28**	166.59

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the year and (ii) the ordinary shares that will be issued upon conversion of the MCS (as set out in details in note 30) from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represents the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options. Calculation 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) is 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.

16. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets			
	HK$'million (Note (b))	Trademarks HK$'million	Contractual customer relationships HK$'million	Port operating rights HK$'million (Note (d))	Total HK$'million
Year ended 31 December 2014					
As at 1 January 2014	**3,318**	**6**	**69**	**5,199**	**5,274**
Exchange adjustments	**(3)**	—	—	**(558)**	**(558)**
Addition	—	—	—	**1,017**	**1,017**
Amortisation (Note (a))	—	—	**(7)**	**(8)**	**(15)**
Impairment (Note (c))	**(148)**	**(6)**	**(62)**	—	**(68)**
As at 31 December 2014	**3,167**	—	—	**5,650**	**5,650**
As at 31 December 2014					
Cost	**3,315**	**6**	**94**	**5,658**	**5,758**
Accumulated amortisation	—	—	**(32)**	**(8)**	**(40)**
Accumulated impairment	**(148)**	**(6)**	**(62)**	—	**(68)**
Net book value	**3,167**	—	—	**5,650**	**5,650**
Year ended 31 December 2013					
As at 1 January 2013	3,293	6	75	4,715	4,796
Exchange adjustments	25	—	2	170	172
Addition	—	—	—	314	314
Amortisation (Note (a))	—	—	(8)	—	(8)
As at 31 December 2013	3,318	6	69	5,199	5,274
As at 31 December 2013					
Cost	3,318	6	94	5,199	5,299
Accumulated amortisation	—	—	(25)	—	(25)
Net book value	3,318	6	69	5,199	5,274

Notes:

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

	2014 HK$'million	2013 HK$'million
Cost of sales	**8**	—
Administrative expenses	**7**	8
	15	8

16. GOODWILL AND INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) Goodwill is allocated to groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment after recognition of an impairment loss of HK$148 million in the CGU of bonded logistics and cold chain operations during the year ended 31 December 2014 is as follows:

	2014 HK$'million	2013 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– PRD excluding HK	**2,940**	2,942
– Hong Kong	**52**	52
– Others	**10**	10
Bonded logistics and cold chain operations	**165**	314
	3,167	3,318

The recoverable amount of a CGU is determined based on higher of fair value less cost 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 a five-year period. 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, China's prospective GDP growth rates, future developments of the ports, bonded logistics and cold chain industries, among others. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

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

	Growth rate (Note (i))		Discount rate (Note (ii))	
	2014	2013	2014	2013
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– PRD excluding HK	**5%**	5%	**8.58%**	9.65%
– Hong Kong	**3% to 5%**	3% to 5%	**8.58%**	9.65%
– Others	**5%**	5%	**8.58%**	9.65%
Bonded logistics and cold chain operations	**0% to 5%**	4% to 5%	**8.58%**	9.65%

Notes:

(i) Weighted average growth rates are used to extrapolate cash flows beyond the budget 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.

During the year ended 31 December 2014, other than the impairment loss of the CGU of bonded logistics and cold chain operations as set out in details in note (c) below, there is no other impairment of any of its CGUs or group of CGUs containing goodwill with indefinite useful lives (2013: nil). 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) As at 31 December 2013, the balances of trademarks and contractual customer relationships and goodwill for the amount of HK$314 million arose upon the business combination of certain entities engaging in the cold chain logistic operation in Mainland China in prior years. In September 2014, based on the latest assessment of the management of the Company, the expected performance of this operation is less optimistic than previously forecasted by the Group in view of the latest outlook of the cold chain logistics industry in Mainland China as well as its recent trend of performances. These, combined with rising logistics and other operating costs, have therefore deteriorated both the operating environments and financial performances of these group of CGUs. The recoverable amounts as at 31 December 2013 and 2014 were estimated using value in use calculation for assessment of impairment on the cold chain logistic operation. Impairment losses of the balances of trademarks and contractual customer relationships and goodwill for an aggregate amount of HK$216 million have been recognised in the consolidated statement of profit or loss in the year ended 31 December 2014. As the value in use of these CGUs was higher than their respective then carrying value no impairment loss was recognised for the year ended 31 December 2013.

16. GOODWILL AND INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(d) Included in port operating rights as at 31 December 2014 is an amount of HK$4,492 million (2013: HK$4,036 million) related to the concession for operation of a terminal to be built in the Port of Lomé in Togo for a concession period of 35 years commenced in 2011 granted by the Government of Togolese Republic. 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 and the fair value of the construction services carried out to-date. Amortisation will be provided for over the period in which the Group operates the relevant terminals on a straight-line basis. The relevant group entity recognises both construction revenue and cost in the amount of HK$916 million for the year ended 31 December 2014 (2013: HK$255 million) by reference to the stage of completion of the construction of the terminal at the end of the reporting period and based on the proportion that contract costs incurred for work performed at the end of the reporting period relative to the estimated total contract costs.

The remaining amount related to the concession for operation of a terminal built in Colombo in Sri Lanka for a concession period of 35 years commenced 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 also set out in note 34.

17. PROPERTY, PLANT AND EQUIPMENT

	Group						Company
	Land and buildings HK$'million (Note (e))	Harbour works, buildings and dockyard HK$'million (Note (e))	Plant, machinery, furniture and equipment HK$'million	Others HK$'million (Note (c))	Assets under construction HK$'million (Note (a))	Total HK$'million	Furniture and equipment and motor vehicles HK$'million
Year ended 31 December 2014							
As at 1 January 2014	694	10,035	4,821	768	2,716	19,034	2
Exchange adjustments	(1)	(13)	(74)	(5)	(16)	(109)	—
Additions	—	69	622	42	1,347	2,080	—
Disposals	(11)	(165)	(26)	(6)	—	(208)	—
Transfers	55	2,132	64	19	(2,270)	—	—
Transfer from other non-current assets	—	5	140	—	—	145	—
Transfer from investment properties	103	—	—	—	—	103	—
Depreciation (Note (d))	(24)	(461)	(496)	(82)	—	(1,063)	—
As at 31 December 2014	816	11,602	5,051	736	1,777	19,982	2
As at 31 December 2014							
Cost	1,071	15,245	9,722	1,420	1,777	29,235	9
Accumulated depreciation and impairment	(255)	(3,643)	(4,671)	(684)	—	(9,253)	(7)
Net book value	816	11,602	5,051	736	1,777	19,982	2

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						Company
	Land and buildings HK$'million (Note (e))	Harbour works, buildings and dockyard HK$'million (Note (e))	Plant, machinery, furniture and equipment HK$'million	Others HK$'million (Note (c))	Assets under construction HK$'million (Note (a))	Total HK$'million	Furniture and equipment and motor vehicles HK$'million
Year ended 31 December 2013							
As at 1 January 2013	335	8,858	4,237	784	2,649	16,863	3
Exchange adjustments	6	205	102	24	57	394	—
Additions	—	36	177	50	2,164	2,427	—
Disposals	—	(10)	(8)	(3)	(3)	(24)	—
Transfers	5	1,649	488	9	(2,151)	—	—
Transfer from other non-current assets	372	—	334	—	—	706	—
Transfer to non-current assets held for sale	(3)	(312)	—	—	—	(315)	—
Depreciation (Note (d))	(21)	(391)	(509)	(96)	—	(1,017)	(1)
As at 31 December 2013	694	10,035	4,821	768	2,716	19,034	2
As at 31 December 2013							
Cost	910	13,412	9,156	1,488	2,716	27,682	8
Accumulated depreciation and impairment	(216)	(3,377)	(4,335)	(720)	—	(8,648)	(6)
Net book value	694	10,035	4,821	768	2,716	19,034	2

Notes:

(a) Included in assets under construction is capitalised interest of approximately HK$31 million (2013: HK$161 million).

(b) As at 31 December 2014, plant, machinery, furniture and equipment with net book value of HK$31 million (2013: HK$34 million) were pledged as security for the Group's bank borrowings (note 33(a)).

(c) Others mainly comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$433 million (2013: HK$415 million), HK$98 million (2013: HK$103 million) and HK$55 million (2013: HK$65 million) respectively as at 31 December 2014.

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

	2014 HK$'million	2013 HK$'million
Cost of sales	**1,022**	986
Administrative expenses	**41**	31
	1,063	1,017

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(e) The Group's interests in land and buildings and harbour works, buildings and dockyard at their net book values are analysed as follows:

	Land and buildings		Harbour works,buildings and dockyard	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Land and buildings in Hong Kong, held on medium-term leases	**269**	181	—	—
Land and buildings outside Hong Kong, held on medium-term leases	**547**	513	**11,602**	10,035
	816	694	**11,602**	10,035

18. INVESTMENT PROPERTIES

	2014 HK$'million	2013 HK$'million
As at 1 January	**1,839**	1,534
Exchange adjustments	**(1)**	5
Addition	—	135
Transfer from other non-current assets	—	97
Transfer to property, plant and equipment (note 17)	**(103)**	—
Increase in fair value (note 8)	**22**	68
As at 31 December	**1,757**	1,839

Notes:

(a) The investment properties were revalued at 31 December 2014 by independent and professional qualified valuers. Valuations are based on current prices in an active market that reflects recent transaction prices for similar properties.

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 2.1). The fair value was determined based on the direct comparison approach, which makes reference to the recent transactions for similar properties in the proximity and adjusted for a number of factors, including differences in transaction dates, floor areas, etc., between the comparable properties and the subject matters. If any of the significant inputs were slightly higher/lower while other variables were held constant, the changes in fair value of the Group's investment properties would not be significant. 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.

(b) The Group's interests in investment properties, held on medium-term leases, at their carrying values are analysed as follows:

	2014 HK$'million	2013 HK$'million
Hong Kong	**1,431**	1,512
Mainland China	**326**	327
	1,757	1,839

19. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and the movements are analysed as follows:

	2014 HK$'million	2013 HK$'million
As at 1 January	**7,967**	7,946
Exchange adjustments	**(25)**	197
Additions	**142**	—
Disposals	**(20)**	(4)
Transfer from other non-current assets	**57**	27
Amortisation	**(183)**	(199)
As at 31 December	**7,938**	7,967

Notes:

(a) The Group's interest in land use rights, held on medium-term leases at their book values, are located in Mainland China.

(b) As at 31 December 2014, land use rights with a net book value of HK$7 million (2013: HK$7 million) are pledged as security for the Group's bank borrowings (note 33(a)).

20. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

Particulars of the Company's principal subsidiaries at 31 December 2014 are set out in note 41 to the consolidated financial statements.

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests

Among the Group's non-wholly-owned subsidiaries at the end of the reporting period is Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan"), which has material non-controlling interests.

Shenzhen Chiwan is a company listed on the Shenzhen Stock Exchange. Although the Group is only beneficially interested in Shenzhen Chiwan for approximately 34% (2013: 34%), the Group has the power to direct approximately 67% (2013: 67%) of the voting right in Shenzhen Chiwan pursuant to an entrustment agreement entered into with China Nanshan Development (Group) Incorporation, being an unofficial English name ("China Nanshan"), over its 33% (2013: 33%) beneficial interest in Shenzhen Chiwan. The ownership interest and voting rights held by numerous other shareholders other than the Group and China Nanshan in Shenzhen Chiwan is approximately 33% (2013: 33%). Therefore, the Directors conclude the Group has control over Shenzhen Chiwan and Shenzhen Chiwan is a consolidated subsidiary in these consolidated financial statements.

20. INTERESTS IN SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of Shenzhen Chiwan, which the Group has material non-controlling interests, is set out below. The summarised financial information of Shenzhen Chiwan prepared in accordance with the significant accounting policies of the Group are as follows:

	2014 Shenzhen Chiwan HK$'million	2013 Shenzhen Chiwan HK$'million
Financial information of consolidated statement of profit or loss and other comprehensive income		
Revenue	**2,262**	2,238
Other income and gains	**138**	164
Expenses and taxation	**(1,734)**	(1,592)
Profit for the year	**666**	810
Other comprehensive (expense)/income	**(11)**	153
Total comprehensive income for the year	**655**	963
Profit for the year, attributable to:		
Equity holders of the Company	**292**	349
Non-controlling interests of the Group	**374**	461
	666	810
Total comprehensive income for the year, attributable to:		
Equity holders of the Company	**287**	421
Non-controlling interests of the Group	**368**	542
	655	963
Dividends paid to non-controlling interests of the Group	**172**	160

20. INTERESTS IN SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

	2014 Shenzhen Chiwan HK$'million	2013 Shenzhen Chiwan HK$'million
Financial information of consolidated statement of financial position		
Non-current assets	**8,380**	8,638
Current assets	**957**	1,265
Current liabilities	**(1,229)**	(1,911)
Non-current liabilities	**(1,387)**	(1,423)
	6,721	6,569
Equity attributable to:		
Equity holders of the Company	**3,257**	3,210
Non-controlling interests of the Group	**3,464**	3,359
	6,721	6,569
Financial information of consolidated statement of cash flows		
Net cash inflow from operating activities	**1,030**	1,132
Net cash outflow from investing activities	**(79)**	(424)
Net cash outflow from financing activities	**(1,262)**	(198)
Net cash (outflow)/inflow	**(311)**	510

(c) Material changes in ownership interests in subsidiaries without change of control

In April 2013, the Group completed the acquisition of 25% equity interest in Shenzhen Chiwan for a consideration of RMB1,787 million (equivalent to HK$2,212 million) from China Nanshan. Upon the completion of the transaction, the beneficial interest of the Group (excluding those held through China Nanshan and its subsidiaries) in Shenzhen Chiwan increased from 9% to 34% as set out in note 20(b) above. The total ownership interests in Shenzhen Chiwan therefore increased from approximately 30% to 46%. An amount of HK$750 million, being the proportionate share of the carrying amount of the net asset of Shenzhen Chiwan as at the date of completion, has been adjusted from the non-controlling interests. The net difference recognised by the Group between (i) the fair value of consideration paid by the Group and (ii) the aggregate of the decrease in non-controlling interest and the associated liabilities recognised by the Group in relation to the effective interest in Shenzhen Chiwan acquired, is recognised in other reserves.

20. INTERESTS IN SUBSIDIARIES (Continued)

(d) Investments in subsidiaries of the Company

	Company	
	2014 HK$'million	2013 HK$'million
Unlisted shares, at cost	**9,646**	9,646
Advances to subsidiaries – non-current (Note (i))		
– interest free	**27,363**	23,246
– interest bearing	**634**	926
	37,643	33,818
Advances to subsidiaries – current (Note (ii))		
– interest free	**4,233**	1,083
– interest bearing	**487**	274
	4,720	1,357
Advances from subsidiaries – non-current (Note (iii))		
– interest bearing	**5,265**	8,471
Advances from subsidiaries – current (Note (iv))		
– interest free	**229**	60
– interest bearing	**3,220**	—
	3,449	60

Notes:

(i) The advances to subsidiaries included in non-current assets of HK$27,363 million (2013: HK$23,246 million) represent investments in its subsidiaries and are unsecured, interest free and will be repayable at the sole discretion of the directors of these subsidiaries. The amount of HK$634 million (2013: HK$926 million) is unsecured, interest bearing at fixed rates at an effective interest rate of 4.20% per annum (2013: 1.35% to 4.20% per annum) and without fixed repayment terms.

(ii) As at 31 December 2014, the advances to subsidiaries included in current assets of HK$487 million (2013: HK$274 million) are unsecured, interest bearing at fixed rates at an effective interest rate of 1.45% to 6.00% per annum (2013: 1.89% to 3.30% per annum) and repayable on demand. The amount of HK$4,233 million (2013: 1,083 million) are unsecured, interest free and repayable on demand.

(iii) The advances from subsidiaries included in non-current liabilities of HK$5,265 million (2013: HK$8,471 million) are unsecured, interest bearing at fixed rates at 5.29% to 7.25% per annum (2013: 5.29% to 7.25% per annum) and will not be repayable within one year.

(iv) The advances from subsidiaries included in current liabilities of HK$229 million (2013: HK$60 million) are unsecured, interest free and repayable on demand. The amount of HK$3,220 million (2013: nil) are unsecured, interest-bearing at fixed rates at an effective interest rate of 7.25% per annum and repayable within twelve months from the end of the reporting period.

(e) 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

	2014 HK$'million	2013 HK$'million
Share of net assets of:		
Listed associates	**24,450**	22,484
Unlisted associates	**9,874**	10,083
	34,324	32,567
Goodwill:		
Listed associates	**547**	547
Unlisted associates	**2,860**	3,099
	3,407	3,646
Total	**37,731**	36,213

The Group's material associates at the end of the reporting period include China International Marine Containers (Group) Co., Ltd. ("CIMC") and Shanghai International Port (Group) Co., Ltd. ("SIPG"). All of the Group's associates are accounted for using equity method in these consolidated financial statements.

Summarised financial information in respect of each of the Group's material associates is set out below. Other associates invested by the Group are not individually material. The summarised financial information below represents material associates' financial information prepared in accordance with the significant accounting policies of the Group.

(a) Material associates

	2014		2013	
	CIMC HK$'million	SIPG HK$'million	CIMC HK$'million	SIPG HK$'million
Financial information of consolidated statement of profit or loss and other comprehensive income				
Revenue	**87,699**	**35,994**	72,378	35,253
Profit for the year, attributable to the equity holders of the associates	**3,119**	**8,798**	2,751	6,759
Other comprehensive (expense)/income for the year, attributable to the equity holders of the associates	**(260)**	**828**	302	1,634
Total comprehensive income for the year, attributable to the equity holders of the associates	**2,859**	**9,626**	3,053	8,393
Dividends received from associates by the Group during the year	**231**	**892**	196	938

21. INTERESTS IN ASSOCIATES (Continued)

(a) Material associates (Continued)

	2014		2013	
	CIMC HK$'million	**SIPG HK$'million**	CIMC HK$'million	SIPG HK$'million
Financial information of consolidated statement of financial position				
Non-current assets	**54,004**	**100,542**	39,986	91,745
Current assets	**57,260**	**22,316**	52,365	23,899
Current liabilities	**(54,937)**	**(26,154)**	(41,435)	(26,363)
Non-current liabilities	**(21,745)**	**(19,138)**	(19,758)	(17,214)
Net assets of the associates	**34,582**	**77,566**	31,158	72,067
Reconciliation to the carrying amounts of interests in the associates:				
Net assets of the associates	**34,582**	**77,566**	31,158	72,067
Less: non-controlling interests	**(6,328)**	**(7,194)**	(4,861)	(7,682)
Net assets attributable to the equity holders of the associates	**28,254**	**70,372**	26,297	64,385
Proportion of the Group's interests in the associates	**25.54%**	**24.49%**	25.54%	24.49%
Net assets attributable to the Group's interests in the associates	**7,216**	**17,234**	6,716	15,768
Goodwill	**465**	**82**	465	82
Carrying amount of the Group's interests in the associates	**7,681**	**17,316**	7,181	15,850
Market value of listed associates, valued based on the quoted prices in active markets for the identical asset directly, and categorised as level 1 of the fair value hierarchy of the Group's interests in the associates	**11,708**	**45,357**	11,219	37,431

21. INTERESTS IN ASSOCIATES (Continued)

(b) Aggregate of other associates

	2014 HK$'million	2013 HK$'million
The Group's share of:		
Profit for the year	**1,153**	908
Other comprehensive (expense)/income	**(518)**	278
Total comprehensive income	**635**	1,186
Aggregate carrying amount of the Group's interests in these associates	**12,734**	13,182

Notes:

(a) Acquisition of an associate for development of seaports and terminals and port related business in East Africa

On 29 December 2012, a wholly-owned subsidiary of the Company entered into a share purchase agreement with, among others, Djibouti Ports & Free Zones Authority, to acquire 23.5% of the issued share capital in Port de Djibouti S.A. ("PDSA"), at a cash consideration of US$185 million (equivalent to HK$1,435 million). The pre-closing reorganisation had been completed during the year ended 31 December 2013. PDSA owns various levels of equity interests in entities engaging in planning, development, construction and operation of seaports and terminals and port related business in the City of Djibouti in Djibouti.

This transaction had been completed during the year ended 31 December 2013 and the Group's investment in PDSA is accounted for as an interest in an associate as the Directors of the Company consider the Group has significant influence over the investee.

(b) Acquisition of an associate interested in geographically-diversified container and bulk cargo terminals

On 25 January 2013, the Company and a wholly-owned subsidiary of the Company entered into a share purchase agreement with, among others, CMA Terminals Holding SAS ("CMATH"), to acquire 49% of the issued share capital in Terminal Link SAS ("Terminal Link"), a company organised under the laws of France, at an aggregate cash consideration of EUR400 million (equivalent to HK$4,121 million) before any pricing adjustments, if applicable, pursuant to the share purchase agreement. The pre-closing reorganisation had been completed during the year ended 31 December 2013 and Terminal Link owns certain equity interests in various container and bulk cargo terminals located in Europe, Mediterranean Basin, Africa, America and Asia. Pursuant to the share purchase agreement, CMATH shall indemnify the Group for each of the seven years ending on 31 December 2019 in the event that the dividends it receives from Terminal Link do not achieve an agreed percentage of the Group's investment in Terminal Link.

This transaction had been completed during the year ended 31 December 2013 and the Group's investment in Terminal Link is accounted for as an interest in an associate as the Directors of the Company consider the Group has significant influence over the investee.

(c) Particulars of the Group's principal associates at 31 December 2014 are set out in note 42 to the consolidated financial statements.

22. INTERESTS IN JOINT VENTURES

	2014 HK$'million	2013 HK$'million
Share of net assets of unlisted joint ventures	**6,351**	5,672
Goodwill	**57**	57
	6,408	5,729

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

Summarised financial information in respect of the aggregate of the Group's joint ventures, each of which is not individually material, is set out below.

	2014 HK$'million	2013 HK$'million
The Group's share of:		
Profit for the year	**332**	543
Other comprehensive (expense)/income	**(36)**	143
Total comprehensive income	**296**	686

Notes:

(a) Establishment of a joint venture for management and operations of an iron ore terminal in Qingdao

During the year ended 31 December 2013, the Group entered into a shareholders' agreement with three joint venture partners for the establishment of an entity in the PRC, which is principally engaged in management and operations of an iron ore terminal in Qingdao, the PRC. The Group's investment for 25% interests in the relevant project amounted to RMB350 million (equivalent to HK$444 million). This transaction has been completed during the year ended 31 December 2014.

(b) Particulars of the Group's principal joint ventures at 31 December 2014 are set out in note 43 to the consolidated financial statements.

23. OTHER FINANCIAL ASSETS

	2014 HK$'million	2013 HK$'million
Non-current asset		
Available-for-sale financial assets (Note (a))	**4,215**	2,523
Current asset		
Financial asset at fair value through profit or loss (Note (b))	**580**	558

Notes:

(a) Available-for-sale financial assets, at fair value

	2014 HK$'million	2013 HK$'million
Listed equity investments in Hong Kong	**139**	—
Listed equity investments in Mainland China	**3,409**	1,817
Unlisted equity investments in Mainland China	**667**	706
	4,215	2,523

The movements in available-for-sale financial assets are summarised as follows:

	2014 HK$'million	2013 HK$'million
As at 1 January	**2,523**	2,092
Acquisition	**157**	418
Exchange adjustments	**(4)**	6
Net change in fair value transferred to equity	**1,539**	7
As at 31 December	**4,215**	2,523

96.7% (2013: 100%) of the available-for-sale financial assets are denominated in Renminbi and the remaining balance is denominated in Hong Kong dollars.

23. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(b) Financial asset at fair value through profit or loss

	2014 HK$'million	2013 HK$'million
Unlisted convertible preference shares in United States	**580**	558

The movement in financial asset at fair value through profit or loss is summarised as follows:

	2014 HK$'million	2013 HK$'million
As at 1 January	**558**	369
Increase in fair value (note 8)	**22**	189
As at 31 December	**580**	558

The financial asset at fair value through profit or loss, all of which relate to an issuer, is denominated in United States dollar.

24. OTHER NON-CURRENT ASSETS

	2014 HK$'million	2013 HK$'million
Prepayments for purchase of non-current assets	**1,266**	1,235
Advances to a joint venture (Note)	**254**	—
Others	**125**	136
	1,645	1,371

Note: The amount is unsecured, interest-bearing at 6% per annum and repayable after one year from the end of reporting period.

25. INVENTORIES

	2014 HK$'million	2013 HK$'million
Raw materials	**55**	58
Spare parts and consumables	**53**	36
	108	94

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Trade debtors	**1,054**	919	—	—
Less: provision for impairment of trade debtors (Note (a))	**(23)**	(24)	—	—
Trade debtors, net (Note (c))	**1,031**	895	—	—
Amounts due from fellow subsidiaries (Note (f))	**14**	8	—	—
Amounts due from associates (Note (f))	**561**	129	—	—
Amounts due from joint ventures (Note (f))	**174**	—	—	—
Dividend receivables	**1,421**	294	—	—
	3,201	1,326	—	—
Other debtors, deposits and prepayments	**492**	301	**97**	6
	3,693	1,627	**97**	6

Notes:

(a) Movements in the provision for impairment of trade debtors are as follows:

	2014 HK$'million	2013 HK$'million
As at 1 January	**24**	26
Provision for impairment of trade debtors	**2**	5
Reversal of provision	**(2)**	(7)
Exchange adjustments	**(1)**	—
As at 31 December	**23**	24

The creation and release of provision for impairment of trade debtors have been included in administrative expenses in the consolidated statement of profit or loss. Deposits and prepayments do not contain impaired assets.

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$37 million (2013: HK$13 million) are included in trade debtors as at 31 December 2014.

26. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) The Group has a credit policy of allowing an average credit period of 90 days (2013: 90 days) to its trade customers. The ageing analysis of trade debtors, net of provision for impairment of trade debtors, is as follows:

	2014 HK$'million	2013 HK$'million
Not yet due	**433**	287
Days overdue		
– 1 - 90 days	**481**	508
– 91 - 180 days	**102**	78
– 181 - 365 days	**12**	16
– Over 365 days	**3**	6
	1,031	895

(d) As at 31 December 2014, trade debtors of HK$433 million (2013: HK$287 million) and balances with related companies of HK$2,170 million (2013: HK$431 million) are neither past due nor impaired and are fully performing.

(e) As at 31 December 2014, trade debtors of HK$583 million (2013: HK$586 million) are past due but not impaired. These relate 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. The ageing analysis of these trade debtors is as follows:

	2014 HK$'million	2013 HK$'million
Days overdue		
– 1 to 90 days	**481**	508
– 91 to 180 days	**102**	78
	583	586

As at 31 December 2014, it is noted that provision for impairment may be required in respect of trade debtors for the gross amount of HK$38 million (2013: HK$46 million) and a provision of HK$23 million (2013: HK$24 million) has been made thereon. The individually impaired trade debtors mainly relate to customers which are in difficult financial situations while it is assessed that a portion of the trade debtors is expected to be recovered.

(f) The amounts of HK$364 million (2013: HK$137 million) are unsecured, interest free and repayable on demand in accordance with the relevant agreements. The amounts of HK$385 million (2013: nil) are unsecured, interest-bearing at fixed rates at 1% to 6% per annum and repayable within twelve months from the end of the reporting period.

27. CASH AND BANK BALANCES

	Group		Company	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Cash at bank and in hand	**2,251**	1,794	**21**	30
Short-term time deposits	**7,250**	1,411	**6,848**	362
	9,501	3,205	**6,869**	392

The weighted average effective interest rate on time deposits as at the end of the reporting period is approximately 2.84% (2013: 2.35%) per annum. These deposits had an average maturity period of 35 days (2013: 45 days).

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Hong Kong dollar	**7,099**	514	**6,747**	198
Renminbi	**2,084**	2,200	**109**	54
United States dollar	**157**	307	**13**	138
Euro	**155**	181	—	2
Other currencies	**6**	3	—	—
	9,501	3,205	**6,869**	392

28. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2013, the Group commenced the negotiations for certain asset transfers with Qingdao Qianwan West Port Unit Terminal Co., Ltd. ("QQTU"), a joint venture of the Group, and a third party, pursuant to which the Group agreed to dispose of, and each of QQTU and the third party agreed to acquire, certain land and buildings and plant, machinery, furniture and equipment (included in the property, plant and equipment in the consolidated statement of financial position previously).

The transactions have been completed during the year ended 31 December 2014.

29. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2014	2013	**2014 HK$'million**	2013 HK$'million
Authorised (Note (a))**:**				
As at 1 January	**5,000,000,000**	5,000,000,000	**500**	500
As at 31 December	**N/A**	5,000,000,000	**N/A**	500
Issued and fully paid:				
As at 1 January	**2,526,690,412**	2,491,423,388	**253**	249
Transfer from share premium upon abolition of par value (Note (a))	—	—	**16,720**	—
Transfer upon lapse of share options	—	—	**112**	—
Issue of shares on exercise of share options (Note (b))	**1,959,700**	3,536,000	**33**	1
Issue of scrip dividend shares (Note (c))	**33,776,895**	31,731,024	**793**	3
Issue of shares on conversion of MCS (Note (d))	**221,133**	—	**7**	—
As at 31 December	**2,562,648,140**	2,526,690,412	**17,918**	253

Notes:

(a) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014. Share premium of HK$16,720 million became part of the Company's share capital since then. The Company's ordinary shares had par value of HK$0.1 each before commencement of the new Hong Kong Companies Ordinance.

(b) During the year, 1,959,700 (2013: 3,536,000) shares were issued upon exercise of share options. Total net proceeds were HK$40 million (2013: HK$64 million).

The weighted average share price at the time of exercise was HK$26.50 (2013: HK$28.42) per share. The related transaction costs have been deducted from the proceeds received.

During the year, no ordinary shares were repurchased.

(c) 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
2013 final dividend	4 July 2014	**19,687,031**
2014 interim dividend	27 November 2014	**14,089,864**
2014 Total		**33,776,895**
2013 Total		**31,731,024**

29. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) During the year, 221,133 (2013: nil) shares were issued upon conversion of the MCS. No proceeds were received by the Company for the shares issued.

(e) Share options

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.

Movements in the number of share options outstanding under the old scheme and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at 1 January	**22.72**	**22,461,000**	22.08	25,997,000
Exercised	**20.37**	**(1,959,700)**	17.97	(3,536,000)
Lapsed	**11.08**	**(118,300)**	—	—
As at 31 December	**23.01**	**20,383,000**	22.72	22,461,000

All share options are exercisable as at 31 December 2014 and 2013. Share options outstanding at 31 December 2014 and 2013 have the following expiry dates and exercise prices:

Year of expiry	Exercise price HK$	**Number of share options 2014**	2013
2014	11.08	—	554,000
2016	23.03	**20,233,000**	21,757,000
2016	20.91	**150,000**	150,000
		20,383,000	22,461,000

30. MANDATORY CONVERTIBLE SECURITIES

MCS are equity instruments issued by the Company at the subscription price of HK$30.26 per unit, representing a direct, unsecured and subordinated obligation of the Company. The MCS entitle the holders to receive fixed coupons semiannually at the rates of 8%, 6% and 4% per annum in the first, second and third year, respectively, from the MCS issuance. The Company may at its discretion elect to defer or cancel any scheduled distributions. Any deferred or cancelled distributions are non-cumulative and do not bear any interests. However, if the Company determines to do so but declares, makes or pays any dividends to the ordinary shareholders, the MCS holders should be notified, and the MCS shall be converted into ordinary shares of the Company at the initial conversion price. Any deferred but unpaid distributions prior to the accelerated conversion date and any scheduled future distributions after the accelerated conversion date (taking into account their net present value) shall be paid immediately to the MCS holders by cash.

Holders of MCS have the rights to convert any of their MCS into ordinary shares of the Company, at the conversion rate of one unit of MCS to one ordinary share of the Company (subject to certain anti-dilution adjustments), at any time prior to the mandatory conversion date, being the third anniversary following the date of issuance of the MCS, at the initial conversion price of HK$30.26 per ordinary share.

The MCS may be assigned or transferred by its holders without restriction but will not be listed on the HKSE or any other stock exchanges. The MCS are not entitled to dividends declared and paid by the Company to its ordinary shareholders and do not carry any voting rights of the Company.

On 6 June 2014, the open offer of the MCS, which was on the basis of one unit of MCS for every five ordinary shares held, became unconditional. A total of 505,400,882 units of MCS were issued, equivalent to 505,400,882 ordinary shares of the Company in issue when converted. An aggregate of 502,676,197 units (including those units taken up under underwriting arrangements) were issued to CMG and its associates (as defined under the Listing Rules including CMU). The net proceeds received by the Group amounted to HK$15,287 million.

During the year, 221,133 units of MCS have been converted to ordinary shares of the Company and distribution amounted to HK$611 million has been declared and paid to the holders of the MCS.

31. RESERVES

(a) Other reserves of the Group

	Group					
	Share-based compensation reserve HK$'million	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserves HK$'million (Note)	Total HK$'million
As at 1 January 2014	190	(1,669)	1,232	6,548	2,015	8,316
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	—	(871)	—	(871)
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	1,370	—	—	1,370
Share of reserves of associates	—	96	180	—	—	276
Other comprehensive income/(expense) for the year, net of tax	—	96	1,550	(871)	—	775
TRANSACTIONS WITH OWNERS						
Transfer from retained earnings	—	—	—	—	396	396
Transfer upon lapse of share options	(114)	—	—	—	—	(114)
Total transactions with owners for the year	(114)	—	—	—	396	282
As at 31 December 2014	76	(1,573)	2,782	5,677	2,411	9,373

31. RESERVES (Continued)

(a) Other reserves of the Group (Continued)

	Group					
	Share-based compensation reserve HK$'million	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserves HK$'million (Note)	Total HK$'million
As at 1 January 2013	190	(494)	1,423	5,410	1,509	8,038
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	—	1,138	—	1,138
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	6	—	—	6
Share of reserves of associates	—	51	(197)	—	—	(146)
Other comprehensive income/(expense) for the year, net of tax	—	51	(191)	1,138	—	998
TRANSACTIONS WITH OWNERS						
Transfer from retained earnings	—	—	—	—	506	506
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	—	(1,226)	—	—	—	(1,226)
Total transactions with owners for the year	—	(1,226)	—	—	506	(720)
As at 31 December 2013	190	(1,669)	1,232	6,548	2,015	8,316

Note: Amount mainly represents statutory reserve of the Group's subsidiaries in the PRC. According to the relevant laws in the PRC, wholly foreign-owned enterprises in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

31. RESERVES (Continued)

(b) Reserves of the Company

	Company				
	Share premium HK$'million	Share-based compensation reserve HK$'million	Capital reserve HK$'million (Note (i))	Retained earnings HK$'million (Note (ii))	Total HK$'million
As at 1 January 2014	**16,713**	**190**	**2,340**	**3,579**	**22,822**
Issue of shares on exercise of share options, net of share issue expenses of negligible amount	**7**	—	—	—	**7**
Transfer from share premium upon abolition of par value (Note (iii))	**(16,720)**	—	—	—	**(16,720)**
Transfer upon lapse of share options	—	**(114)**	—	**2**	**(112)**
Profit for the year	—	—	—	**3,922**	**3,922**
Dividends paid	—	—	—	**(1,950)**	**(1,950)**
Distribution to MCS holders	—	—	—	**(611)**	**(611)**
As at 31 December 2014	—	**76**	**2,340**	**4,942**	**7,358**
Retained earnings as at 31 December 2014 representing:					
Reserves				**3,531**	
Proposed dividend				**1,411**	
				4,942	

31. RESERVES (Continued)

(b) Reserves of the Company (Continued)

	Company				
	Share premium HK$'million	Share-based compensation reserve HK$'million	Capital reserve HK$'million (Note (i))	Retained earnings HK$'million (Note (ii))	Total HK$'million
As at 1 January 2013	15,907	190	2,340	3,239	21,676
Issue of shares on exercise of share options, net of share issue expenses of negligible amount	63	—	—	—	63
Profit for the year	—	—	—	2,091	2,091
Dividends paid	743	—	—	(1,751)	(1,008)
As at 31 December 2013	16,713	190	2,340	3,579	22,822
Retained earnings as at 31 December 2013 representing:					
Reserves				2,189	
Proposed dividend				1,390	
				3,579	

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) Profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of HK$3,922 million (2013: HK$2,091 million).

(iii) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014.

32. LOANS FROM SHAREHOLDERS

	Loans from a shareholder (Note (a))		Loans from an intermediate holding company		Loans from the ultimate holding company		Total	
	2014 **HK$'million**	2013 HK$'million	**2014** **HK$'million**	2013 HK$'million	**2014** **HK$'million**	2013 HK$'million	**2014** **HK$'million**	2013 HK$'million
The loans as at 31 December 2014 and 2013 are repayable as follows:								
Within 1 year	**—**	—	**834**	—	**484**	78	**1,318**	78
Between 1 and 2 years	**—**	—	**—**	637	**938**	—	**938**	637
Between 2 and 5 years	**—**	8,053	**127**	—	**—**	1,323	**127**	9,376
	—	8,053	**961**	637	**1,422**	1,401	**2,383**	10,091
Less: amounts due within one year included under current liabilities	**—**	—	**(834)**	—	**(484)**	(78)	**(1,318)**	(78)
Non-current portion	**—**	8,053	**127**	637	**938**	1,323	**1,065**	10,013
The loans are denominated in the following currencies:								
Renminbi	**—**	—	**961**	637	**1,422**	1,401	**2,383**	2,038
Euro	**—**	4,176	**—**	—	**—**	—	**—**	4,176
United States Dollars	**—**	3,877	**—**	—	**—**	—	**—**	3,877
	—	8,053	**961**	637	**1,422**	1,401	**2,383**	10,091
Interest rates per annum	**N/A**	3.80%	**3.94% - 4.35%**	4.35%	**4.65% - 5.20%**	4.65% - 5.20%		

Notes:

(a) This shareholder is CMU, a company held as to 50% by CMG.

(b) All of the loans from an intermediate holding company, the ultimate holding company and a shareholder (CMU) are interest bearing at fixed rate at the interest rates as set out above and unsecured.

33. OTHER FINANCIAL LIABILITIES

	2014 HK$'million	2013 HK$'million
Bank loans		
Unsecured short-term bank loans	**512**	1,568
Long-term bank loans, wholly repayable within five years		
– unsecured	**1,118**	1,352
– secured (Note (a))	**33**	25
Long-term bank loans, not wholly repayable within five years		
– unsecured	**73**	—
– secured (Note (a))	**4,476**	2,499
	6,212	5,444
Loans from a non-controlling equity holder of a subsidiary (Note (d))	**361**	292
Notes payable (Note (e))		
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	**3,878**	3,873
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,541**	1,537
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,828**	3,821
– RMB500 million, 4.6% unlisted notes maturing in 2014	—	636
– RMB400 million, 5% unlisted notes maturing in 2015	**507**	—
– RMB500 million, 5.28% unlisted notes maturing in 2017	**631**	633
– RMB500 million, 5.6% unlisted notes maturing in 2018	**630**	631
	11,015	11,131
Total	**17,588**	16,867
Less: amounts due within one year included under current liabilities	**(5,357)**	(2,339)
Non-current portion	**12,231**	14,528

33. OTHER FINANCIAL LIABILITIES (Continued)

Notes:

(a) As at 31 December 2014, the following assets are pledged against the Group's secured bank loans:

	2014 HK$'million	2013 HK$'million
Property, plant and equipment (note 17(b))	**31**	34
Land use rights (note 19(b))	**7**	7
	38	41

In addition to the above, the entire shareholdings in two (2013: two) subsidiaries, owned by the Company and its subsidiary respectively as at 31 December 2014, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) As at 31 December 2014, except for the pledge of the Company's entire shareholding in a subsidiary to a bank for bank facilities granted to that subsidiary as disclosed in the preceding paragraph, the Company did not have any charge over its assets.

(c) Listed notes issued by subsidiaries of the Company of HK$9,247 million (2013: HK$9,231 million) are secured by corporate guarantees provided by the Company.

(d) The amounts are unsecured, interest-bearing at fixed rate at 4.65% (2013: 4.65%) per annum and no balance is required to be repaid within twelve months from the end of the reporting period. Accordingly, the entire balances are classified as non-current.

(e) All of the note payables are issued by subsidiaries of the Company. The effective interest rates are as follows:

	2014	2013
US$500 million, 5.375% guaranteed listed notes maturing in 2015	**5.47%**	5.47%
US$200 million, 7.125% guaranteed listed notes maturing in 2018	**7.36%**	7.36%
US$500 million, 5% guaranteed listed notes maturing in 2022	**5.22%**	5.22%
RMB500 million, 4.6% unlisted notes maturing in 2014	**N/A**	4.90%
RMB400 million, 5% unlisted notes maturing in 2015	**5.30%**	N/A
RMB500 million, 5.28% unlisted notes maturing in 2017	**5.63%**	5.63%
RMB500 million, 5.6% unlisted notes maturing in 2018	**5.95%**	5.95%

(f) As at 31 December 2014, the Group has undrawn bank loan facilities amounting to HK$12,762 million (2013: HK$11,947 million), of which HK$10,692 million (2013: HK$10,833 million) and HK$2,070 million (2013: HK$1,114 million) are committed and uncommitted credit facilities respectively.

(g) The other financial liabilities as at 31 December 2014 and 2013 are repayable as follows:

	Bank loans		Listed notes payable		Unlisted notes payable		Loans from a non-controlling equity holder of a subsidiary		Total	
	2014 HK$'million	2013 HK$'million	2014 HK$'million	2013 HK$'million	2014 HK$'million	2013 HK$'million	2014 HK$'million	2013 HK$'million	2014 HK$'million	2013 HK$'million
Within 1 year	**972**	1,703	**3,878**	–	**507**	636	**–**	–	**5,357**	2,339
Between 1 and 2 years	**687**	244	**–**	3,873	**–**	–	**–**	–	**687**	4,117
Between 2 and 5 years	**1,508**	1,777	**1,541**	1,537	**1,261**	1,264	**–**	–	**4,310**	4,578
Within 5 years	**3,167**	3,724	**5,419**	5,410	**1,768**	1,900	**–**	–	**10,354**	11,034
More than 5 years	**3,045**	1,720	**3,828**	3,821	**–**	–	**361**	292	**7,234**	5,833
	6,212	5,444	**9,247**	9,231	**1,768**	1,900	**361**	292	**17,588**	16,867

33. OTHER FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

(h) All of the Group's bank borrowings carry variable rates of interests. The effective interest rates at the end of the reporting period are as follows:

	2014	2013
Hong Kong dollar	**1.53% to 4.24%**	1.34% to 4.89%
Renminbi	**6.05% to 6.72%**	5.70% to 6.72%
Euro	**3.88% to 5.46%**	3.72% to 5.46%
United States dollar	**2.67% to 3.86%**	3.84%

(i) The carrying amounts of other financial liabilities are denominated in the following currencies:

	2014 HK$'million	2013 HK$'million
Hong Kong dollar	**660**	803
Renminbi	**2,844**	4,042
Euro	**2,254**	1,085
United States dollar	**11,830**	10,937
	17,588	16,867

34. OTHER NON-CURRENT LIABILITIES

Included in the balance of other non-current liabilities is the minimum guaranteed royalty and premium provision (the "Royalty Provision") of HK$1,058 million (2013: HK$1,061 million) under a 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 amounted to HK$15 million (2013: HK$7 million) is included in creditors and accruals in current liabilities. The initial recognition of the Royalty Provision is determined by discounting the future annual guaranteed cash flows at the then market rate.

35. DEFERRED TAXATION

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

	2014 HK$'million	2013 HK$'million
As at 1 January	**(1,828)**	(1,573)
Exchange adjustments	**50**	(40)
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	—	(42)
Charged to consolidated statement of profit or loss (note 13)	**(204)**	(172)
Charged to other comprehensive income (note 13)	**(168)**	(1)
As at 31 December	**(2,150)**	(1,828)

Deferred income tax assets are recognised for tax loss 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$997 million (2013: HK$772 million) to be carried forward against future taxable income. The unrecognised tax losses of HK$47 million (2013: HK$36 million) can be carried forward indefinitely. The remaining HK$950 million (2013: HK$736 million) expires in the following years:

	2014 HK$'million	2013 HK$'million
2014	—	128
2015	**74**	58
2016	**193**	175
2017	**143**	107
2018	**266**	268
2019	**274**	—
	950	736

35. 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		Total	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
As at 1 January	**(884)**	(700)	**(915)**	(897)	**(150)**	(96)	**(1,949)**	(1,693)
Exchange adjustments	**—**	(20)	**50**	(23)	**—**	—	**50**	(43)
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	**—**	(42)	**—**	—	**—**	—	**—**	(42)
(Charged)/credited to consolidated statement of profit or loss	**(146)**	(122)	**11**	5	**(6)**	(53)	**(141)**	(170)
Charged to other comprehensive income	**—**	—	**—**	—	**(168)**	(1)	**(168)**	(1)
As at 31 December	**(1,030)**	(884)	**(854)**	(915)	**(324)**	(150)	**(2,208)**	(1,949)

Deferred tax assets

	Provision		Others		Total	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
As at 1 January	**68**	68	**53**	52	**121**	120
Exchange adjustments	**—**	2	**—**	1	**—**	3
Charged to consolidated statement of profit or loss	**(47)**	(2)	**(16)**	—	**(63)**	(2)
As at 31 December	**21**	68	**37**	53	**58**	121

36. CREDITORS AND ACCRUALS

	Group		Company	
	2014 HK$'million	2013 HK$'million	**2014 HK$'million**	2013 HK$'million
Trade creditors (Note (a))	**269**	334	—	—
Amount due to an intermediate holding company (Note (b))	**8**	5	—	—
Amounts due to fellow subsidiaries (Note (b))	**170**	57	—	—
Interest payable to a shareholder (Note (c))	—	43	—	—
Receipt in advance for disposal of ownership interest in subsidiaries without loss of control (Note (d))	**560**	—	—	—
	1,007	439	—	—
Other payables and accruals	**2,087**	1,687	**53**	75
	3,094	2,126	**53**	75

Notes:

(a) The ageing analysis of the trade creditors is as follows:

	2014 HK$'million	2013 HK$'million
Not yet due	**110**	155
Days overdue		
– 1 - 90 days	**72**	102
– 91 - 180 days	**31**	6
– 181 - 365 days	**8**	8
– Over 365 days	**48**	63
	269	334

(b) The amounts are unsecured, interest free and repayable on demand.

(c) The amount is unsecured, interest free and repayable in accordance with the relevant loan agreement.

(d) During the year, the Group entered into sale and purchase agreement with a third party pursuant to which the Group agreed to dispose of, and the third party agreed to acquire, 30% of the issued share capital of, and 30% of the shareholder's loan advanced by the Group to Oasis King International Limited, a then wholly-owned subsidiary of the Company, for an aggregate consideration of EUR57 million (equivalent to HK$580 million). As at 31 December 2014, the transaction has not yet been completed and the sums of EUR55 million (equivalent to HK$560 million) received from the buyer is therefore recognised as a liability in the consolidated statement of financial position of the Group.

37. CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operations:

	2014 HK$'million	2013 HK$'million
Operating profit	**2,591**	2,990
Adjustments for:		
Depreciation and amortisation	**1,261**	1,224
Impairment loss on goodwill and intangible assets	**216**	—
Gain on disposal of land use rights and property, plant and equipment	**(59)**	(23)
Increase in fair value of investment properties	**(22)**	(68)
Increase in fair value of financial asset at fair value through profit or loss	**(22)**	(189)
Operating profit before working capital changes	**3,965**	3,934
Increase in inventories	**(14)**	(3)
(Increase)/decrease in debtors, deposits and prepayments	**(184)**	40
Increase/(decrease) in creditors and accruals	**85**	(212)
Net cash inflow generated from operations	**3,852**	3,759

38. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments for property, plant and equipment, intangible assets and land use rights

	2014 HK$'million	2013 HK$'million
Group:		
Authorised but not contracted		
– Property, plant and equipment and intangible assets	**609**	1,113
Contracted but not provided for		
– Property, plant and equipment and intangible assets	**2,243**	3,982
– Land use rights	**104**	242
	2,347	4,224
	2,956	5,337
Joint ventures:		
Authorised but not contracted		
– Property, plant and equipment	**53**	16
Contracted but not provided for		
– Property, plant and equipment	**349**	544
	402	560
	3,358	5,897

(b) Capital commitments for investments

	2014 HK$'million	2013 HK$'million
Group:		
Contracted but not provided for ports projects	**730**	1,180

38. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Commitments under operating leases

As at 31 December 2014, the Group has future aggregate minimum lease payments under non-cancellable operating leases for property, plant and equipment and land use rights as follows:

	2014 HK$'million	2013 HK$'million
Within one year	**261**	206
In the second to fifth year inclusive	**429**	509
After the fifth year	**1,817**	1,928
	2,507	2,643

(d) Future operating lease receivables

As at 31 December 2014, the Group has future aggregate lease receivables under non-cancellable operating leases for property, plant and equipment as follows:

	2014 HK$'million	2013 HK$'million
Within one year	**123**	104
In the second to fifth year inclusive	**165**	88
After the fifth year	**46**	57
	334	249

(e) Contingent liabilities

As at 31 December 2014, 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$196 million (2013: HK$246 million) arising from the above loan facilities and other obligations.

The directors assessed the risk of default of the associate 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 by this other shareholder.

39. RELATED PARTY TRANSACTIONS

The Directors regard CMG, a stated-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. 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 2014 are as follows:

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

	Note	**2014 HK$'million**	2013 HK$'million
Rental income from	(i)		
– an intermediate holding company		**44**	28
– fellow subsidiaries		**5**	16
– associates		**18**	19
Rental expenses paid to	(i)		
– an intermediate holding company		**1**	1
– fellow subsidiaries		**126**	121
– associates		**66**	87
Service income from	(ii)		
– fellow subsidiaries		**43**	38
– joint ventures		**153**	142
– associates		**7**	13
Service fees paid to	(iii)		
– fellow subsidiaries		**47**	32
– joint ventures		**20**	10
– an associate		**3**	3
Interest expenses and upfront fees paid to	(iv)		
– ultimate holding company		**71**	64
– an intermediate holding company		**34**	27
– a shareholder		**149**	195

39. RELATED PARTY TRANSACTIONS (Continued)

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

Notes:

(i) The Group rented certain vessels and properties from and leased office premises to the CMG Group. Rental income or expenses were charged at a fixed amount per month in accordance with respective tenancy agreements.

(ii) The ports and logistics service fees were charged with reference to market rates.

(iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management and paint shipping services to the Group. The service fees were charged with reference to market rates.

(iv) Interest expenses were charged at interest rate as specified in note 32 to the consolidated financial statements on the outstanding amounts due to the ultimate and an intermediate holding companies and a shareholder.

(v) During the year ended 31 December 2014, a wholly-owned subsidiary and a non-wholly-owned subsidiary of the Group transferred certain assets to joint ventures at an aggregate consideration of HK$250 million (2013: nil).

(vi) During the year ended 31 December 2014, a wholly-owned subsidiary of the Group entered into a compensation agreement with a fellow subsidiary, pursuant to which the Group will demolish and relocate certain properties erected on the land to be returned to the fellow subsidiary for an aggregate amount of RMB112 million (equivalent to HK$141 million).

(vii) During the year ended 31 December 2014, a non-wholly-owned subsidiary of the Company completed a transaction with a fellow subsidiary for acquisition of a land use right located in Zhangzhou, the PRC, at a consideration of HK$170 million. The amount paid by the Group as at 31 December 2013 amounting to HK$52 million was accounted for as a prepayment for purchase of non-current asset set out in note 24.

(viii) During the year ended 31 December 2013, a wholly-owned subsidiary of the Company entered into another transaction with a fellow subsidiary for acquisition of a land use right located in Shenzhen, the PRC, at a consideration of HK$17 million. The transaction has not yet been completed at the end of the reporting period and the amount paid by the Group as at 31 December 2013 and 2014 amounting to HK$17 million was also accounted for as a prepayment for purchase of non-current asset set out in note 24.

(ix) During the year ended 31 December 2013, the Group sold inventories to a joint venture amounting to HK$14 million (2014: nil).

(x) During the year ended 31 December 2013, a wholly-owned subsidiary of the Group completed the acquisition of certain property interests, accounted for as property, plant and equipment and investment properties, located in Shenzhen, the PRC, from a fellow subsidiary, at a consideration of HK$587 million.

(xi) As at 31 December 2014, the Group placed deposits of HK$4,129 million (2013: HK$777 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the year, interest income from and interest expenses paid and payable to CMB amounted to HK$76 million (2013: HK$18 million) and HK$2 million (2013: HK$3 million) respectively.

The balances with entities within CMG Group as at 31 December 2014 and 31 December 2013 are disclosed in notes 26, 32 and 36 to the consolidated financial statements.

39. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other PRC state-controlled entities

The Group has transactions with other PRC state-controlled entities including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings.

(c) Balance and transaction with a non-controlling equity holder of a subsidiary:

	2014 HK$'million	2013 HK$'million
Interest expense paid (Note)	**15**	9

Note: Interest expense was charged at interest rate as specified in note 33 to the consolidated financial statements on the outstanding loans from a non-controlling equity holder of a subsidiary.

The balances with a non-controlling equity holder of a subsidiary as at 31 December 2014 and 2013 are disclosed in note 33 to the consolidated financial statements.

(d) Key management compensation

	2014 HK$'million	2013 HK$'million
Salaries and other short-term employee benefits	**16**	16

40. EVENTS AFTER THE REPORTING PERIOD

Disposal of cold chain logistic operation

On 5 January 2015, the Group entered in a sale and purchase agreement with a wholly-owned subsidiary of CMG pursuant to which the Group agreed to dispose of, and the fellow subsidiary agreed to acquire, the entire issued share capital of, and the entire amount of the shareholder's loan advanced by the Group to, Smart Ally Holdings Limited ("SAH"), for an aggregate consideration of HK$760 million. The transaction has been completed subsequent to the end of the reporting period and no significant gain or loss arose on the disposal of the subsidiaries.

SAH and its subsidiaries is principally engaged in the cold chain logistic operation. Further details of the transaction are set out in an announcement of the Company dated 5 January 2015.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2014 %	2013 %	**2014 %**	2013 %	
China Merchants Container Services Limited	Hong Kong	HK$500,000	—	—	**100.00**	100.00	Provision of container terminal services and ports transportation
China Merchants (CIMC) Investment Limited	Hong Kong	HK$10,000	**100.00**	100.00	—	—	Investment holding and securities trading
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 logistic business
China Merchants Bonded Logistics Co.,Limited (Note (a))	PRC	RMB700,000,000	—	—	**78.26**	78.26	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$30,000,000	**100.00**	100.00	—	—	Investment holding
Colombo International Container Terminal Limited	Republic of Sri Lanka	US$150,000,088	**85.00**	85.00	—	—	Provision of container terminal services
Kangxin Logistics (Harbin) Co., Ltd. (Note (a))	PRC	US$5,000,000	—	—	**51.00**	51.00	Provision of cold storage services
Kangxin Logistics (Tianjin) Co., Ltd. (Note (a))	PRC	US$5,619,300	—	—	**51.00**	51.00	Provision of cold storage services and logistic services

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2014 %	Directly 2013 %	Indirectly 2014 %	Indirectly 2013 %	Principal activities
Lomé Container Terminal S.A. (Note (c))	Togolese Republic	XOF200,000,000	–	–	**50.00**	50.00	Provision of container terminal services
Mega Shekou Container Terminals Limited	British Virgin Islands	US$120	–	–	**80.00**	80.00	Investment holding
Rich Products (Tianjin) Co., Ltd. (Note (a))	PRC	US$5,000,000	–	–	**51.00**	51.00	Holding a piece of land in Tianjin, PRC
She Kou Container Terminals Ltd. (Note (a))	PRC	HK$618,201,150	–	–	**80.00**	80.00	Operation of berth No. 1 & 2 in Shekou, PRC
Shekou Container Terminals (Phase II) Company Limited (Note (a))	PRC	RMB608,549,000	–	–	**80.00**	80.00	Operation of berth No. 3 & 4 in Shekou, PRC
Shekou Container Terminals (Phase III) Company Limited (Note (a))	PRC	RMB1,276,000,000	–	–	**80.00**	80.00	Operation of berth No. 5 to No.9 in Shekou, PRC
Shenzhen Chiwan Wharf Holdings Limited (A, B Shares listed in the Mainland China) (Note (d))	PRC	RMB644,763,730	–	–	**45.66**	45.66	Port operations
Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. (Note (b))	PRC	RMB3,000,000	–	–	**100.00**	100.00	Provision of services on ports construction
Shenzhen Haixing Harbor Development Company Ltd. (Note (b))	PRC	US$15,151,500	–	–	**67.00**	67.00	Provision of container terminal services
Shenzhen Huxing Tug Service Co., Ltd (Note (b))	PRC	RMB2,000,000	–	–	**55.00**	55.00	Operation of tugboats
Shenzhen Mawan Port Service Co., Ltd. (Note (b))	PRC	RMB200,000,000	–	–	**83.70**	83.70	Operation of berth No. 5 in Mawan, Shenzhen, PRC
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	–	–	**83.70**	83.70	Operation of berths No. 6 & No. 7 in Mawan, Shenzhen, PRC
Shenzhen Mawan Wharf Co., Ltd. (Note (b))	PRC	RMB200,000,000	–	–	**83.70**	83.70	Operation of berth No. 0 in Mawan, Shenzhen, PRC

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2014 %	Directly 2013 %	Indirectly 2014 %	Indirectly 2013 %	Principal activities
Universal Sheen Investment Limited	Hong Kong	HK$100	**100.00**	100.00	—	—	Property holding
Xia Men Bay China Merchants Terminals Co., Ltd. (Notes (b) and (d))	PRC	RMB80,000,000	—	—	**31.00**	60.00	Provision of container 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 No. 6 in the Zhangzhou Economic Development Zone, Fujian Province, 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, PRC
招商局國際信息技術有限公司 (Note (b))	PRC	RMB50,000,000	**76.84**	76.84	**10.57**	10.57	Provision of computer network services
安通捷碼頭倉儲服務(深圳)有限公司(Note (a))	PRC	HK$100,000,000	—	—	**100.00**	100.00	Holding of a piece of land in Shekou, PRC
安速捷碼頭倉儲服務(深圳)有限公司(Note (a))	PRC	HK$100,000,000	—	—	**100.00**	100.00	Holding of a piece of land in Shekou, 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, PRC

Notes:

(a) Foreign investment enterprises

(b) Sino-foreign joint ventures

(c) This entity is considered to be a subsidiary of the Company despite the Group holds 50% equity interest 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 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 shareholders' meetings of the respective entity by virtue of agreements with other investors.

42. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of ownership interest indirectly held by the Company 2014 %	2013 %	Principal activities
Asia Airfreight Terminal Company Limited	Hong Kong	**20.00**	20.00	Airfreight services
China International Marine Containers (Group) Co., Ltd. (shares listed in the HKSE)	PRC	**25.54**	25.54	Design, manufacture and sales of dry freight containers and refrigerated containers, road transportation vehicle, energy, chemical and food equipment and offshore engineering
China Nanshan Development (Group) Incorporation	PRC	**37.01**	37.01	Investment holding
Chu Kong River Trade Terminal Co., Limited	British Virgin Islands	**20.00**	20.00	Provision of shuttle-barge ports services
Modern Terminals Limited	Hong Kong	**27.01**	27.01	Provision of container terminal services and warehouse services
Port de Djibouti S.A.	Republic of Djibouti	**23.50**	23.50	Operations of seaports and terminals and port related business in Djibouti
Shanghai International Port (Group) Co., Ltd. (A shares listed in the Mainland China) (Note)	PRC	**24.49**	24.49	Ports and container terminal business and related services
Shenzhen Tiehe Storage & Transportation Co., Ltd. (Note)	PRC	**45.00**	45.00	Provision of logistics and storage services
Terminal Link SAS	French Republic	**49.00**	49.00	Operations of container terminals in Europe, Mediterranean Basil, Africa, Americas and Asia
Tianjin Haitian Bonded Logistics Co., Ltd. (Note)	PRC	**49.00**	49.00	Provision of container terminal services and warehouse services
Tin-Can Island Container Terminal Ltd. (Note)	Federal Republic of Nigeria	**28.50**	28.50	Provision of container terminal services

Note: Sino-foreign joint ventures

43. PARTICULARS OF PRINCIPAL JOINT VENTURES

Name of joint venture	Issued capital/ registered capital	Proportion of ownership interest held by the Company indirectly 2014 %	2013 %	Principal activities
Ningbo Daxie China Merchants International Terminals Co., Ltd (Note)	RMB1,209,090,000	**45.00**	45.00	Ports and container 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
Regional Merchants International Freight Forwarding Co., Ltd. (Note)	HK$12,000,000	**20.00**	20.00	Provision of transportation service
Regional Merchants Maritime Limited (Note)	HK$8,000,000	**20.00**	20.00	Provision of shipping service
Zhanjiang Port (Group) Co., Ltd. (Note)	RMB4,020,690,955	**40.29**	40.29	Ports and container terminal business
Qingdao Port Dongjiakou Ore Terminal Co., Ltd (Note)	RMB1,400,000,000	**25.00**	—	Ports and bulk cargo terminal business

Note: Sino-foreign joint ventures

Corporate Information

BOARD OF DIRECTORS

Dr. Fu Yuning *(Chairman)* (resigned on 9 May 2014)
Mr. Li Jianhong *(Chairman)*
(appointed as Chairman on 9 May 2014)
Mr. Li Xiaopeng *(Vice Chairman)*
(appointed on 25 August 2014)
Mr. Li Yinquan (resigned on 13 March 2015)
Mr. Hu Zheng (resigned on 13 March 2015)
Mr. Meng Xi (resigned on 13 March 2015)
Mr. Su Xingang
Mr. Yu Liming
Mr. Hu Jianhua *(Managing Director)*
Mr. Wang Hong
Mr. Zheng Shaoping
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
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

China Construction Bank
Industrial and Commercial Bank of China
China Merchants Bank
Bank of China

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Linklaters
Mayer Brown JSM
Vincent T.K. Cheung, Yap & Co.

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.cmhi.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Merchants Holdings (International) Company Limited (the "**Company**") will be held at JW Marriot Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 27 May 2015 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 2014 together with the Report of the Directors and the Independent Auditor's Report.

2 To declare a final dividend of 55 HK cents per share for the year ended 31 December 2014 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. Li Xiaopeng as a Director;

(b) To re-elect Mr. Su Xingang as a Director;

(c) To re-elect Mr. Yu Liming as a Director;

(d) To re-elect Mr. Wang Hong as a Director; and

(e) To re-elect Mr. Bong Shu Ying Francis 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 "**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 alloted 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 Resoultion, provided that if any subsequent consolidation or subdivision of shares of the Company is effected, the maximum number of shares of the Company that may be allotted and issued under the mandate in paragraph (a) above as a percentage of the total number of issued shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of shares shall be adjusted 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, provided that if any subsequent consolidation or subdivision of shares of the Company is effected, the maximum number of shares of the Company that may be bought back under the mandate in paragraph (a) above as a percentage of the total number of issued shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of shares shall be adjusted 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."

By Order of the Board
China Merchants Holdings (International) Company Limited
Li Jianhong
Chairman

Hong Kong, 24 April 2015

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 20 May 2015 to 27 May 2015, 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 19 May 2015.

   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 Thursday, 4 June 2015. 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 Thursday, 4 June 2015.

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. As at the date of this notice, the Board comprises Mr. Li Jianhong, Mr. Li Xiaopeng, 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.

CHINA MERCHANTS HOLDINGS
(INTERNATIONAL) COMPANY LIMITED
38/F, China Merchants Tower
Shun Tak Centre, 168 - 200 Connaught Road Central,
Hong Kong
Tel: (852) 2102 8888
Fax: (852) 2851 2173
E-mail: relation@cmhk.com

www.cmhi.com.hk