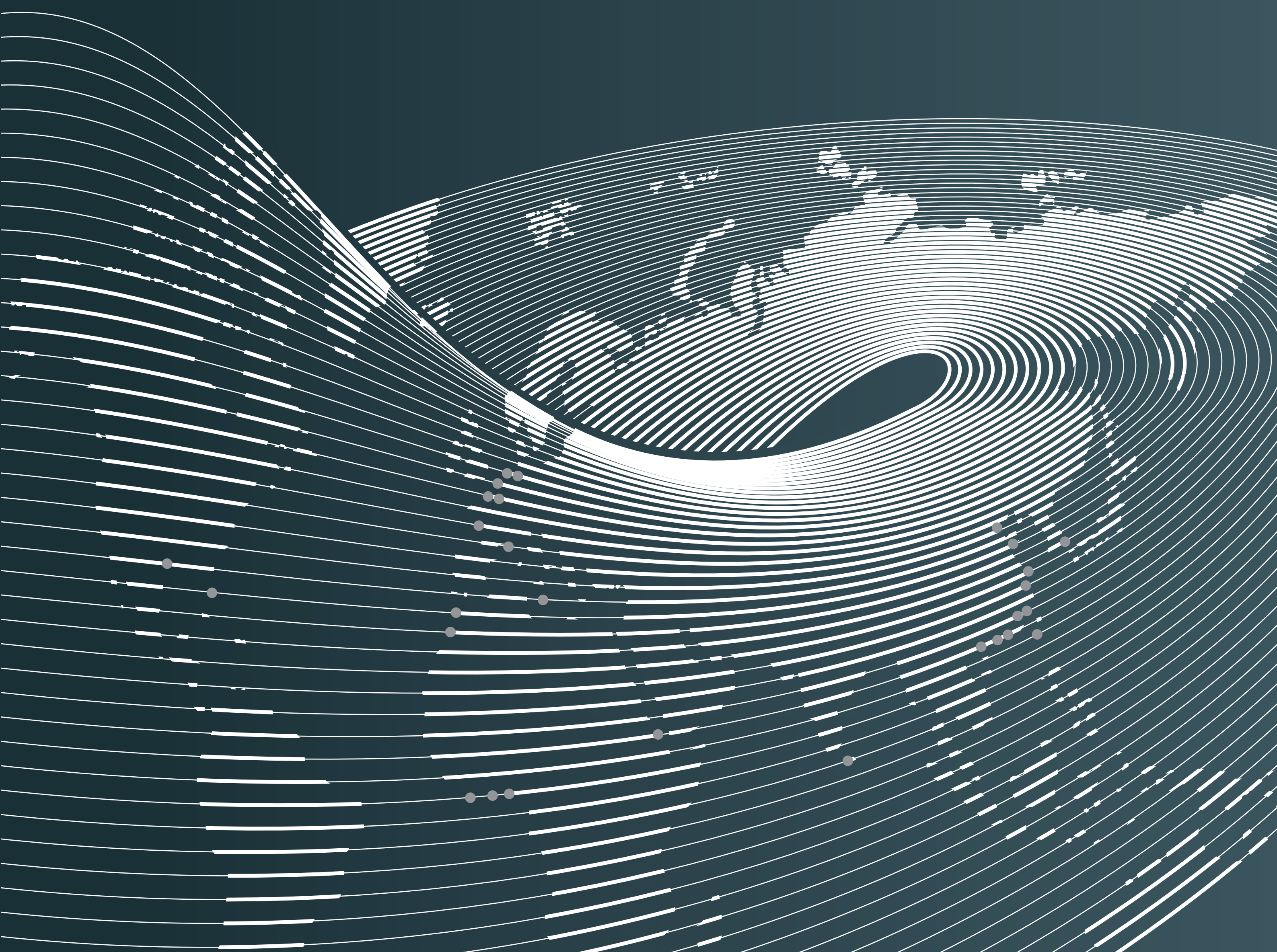
WE CONNECT THE WORLD



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

Stock Code: 00144

ANNUAL REPORT 2013

2013
Contents

Financial Highlights

	2013 HK$'million	2012 HK$'million (as restated)	Changes
Consolidated income statement highlights			
Revenue[1]	**42,218**	43,179	(2.2%)
Profit attributable to equity holders of the Company	**4,213**	3,818	10.3%
Non-recurrent gains, net of tax[2]	**(205)**	(445)	(53.9%)
Recurrent profit	**4,008**	3,373	18.8%
Earnings per share (HK cents)			
Basic	**166.89**	153.26	8.9%
Diluted	**166.59**	153.09	8.8%
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	0.0%
Final dividend	**55.00**	48.00	14.6%
	77.00	70.00	10.0%
Consolidated statement of financial position highlights			
Total assets	**89,191**	77,466	15.1%
Capital and reserves attributable to the equity holders of the Company	**48,599**	45,542	6.7%
Net interest bearing debts[3]	**23,753**	14,630	62.4%
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**5,196**	6,333	(18.0%)

	2013 HK$'million	2012 HK$'million (as restated)	Changes
Revenue[1]			
Ports operation	**20,033**	18,534	8.09%
Bonded logistics and cold chain operations	**863**	2,414	(64.3%)
Port-related manufacturing operations	**18,484**	18,977	(2.6%)
Other operations	**2,838**	3,254	(12.8%)
Total	**42,218**	43,179	(2.2%)
EBITDA[4]			
Ports operation	**9,806**	8,880	10.4%
Bonded logistics and cold chain operations	**557**	1,407	(60.4%)
Port-related manufacturing operations	**1,616**	1,434	12.7%
Other operations	**973**	504	93.1%
EBITDA	**12,952**	12,225	5.9%
Unallocated net (expenses)/income[6]	**(113)**	828	(113.6%)
Net interest expenses[5]	**(1,729)**	(1,775)	(2.6%)
Taxation[5]	**(2,190)**	(2,157)	1.5%
Depreciation and amortisation[5]	**(3,313)**	(3,143)	5.4%
Non-controlling interests[5]	**(1,394)**	(2,160)	(35.5%)
Profit attributable to equity holders of the Company	**4,213**	3,818	10.3%

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

2 Include increase in fair value of investment properties of HK$68 million (2012: HK$153 million); increase in fair value of financial asset at fair value through profit or loss of, net of tax, HK$137 million (2012: HK$40 million); gain on disposal of interests in associates, net of tax, of HK$385 million and net loss associated with ceasing to control certain subsidiaries, net of tax, of HK$133 million in 2012.

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, gain on disposal of interests in associates and net loss associated with ceasing to control certain subsidiaries in 2012.

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 Terminal

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
- China Merchants International Cold Chain
- KXL Guangzhou
- KXL Hong Kong

Yangtze River Delta

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

Logistics:
- KXL Suzhou
- KXL Shanghai

South-West Area

Ports:
- Zhanjiang Port

Logistics:
- KXL Chengdu

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

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

Kaohsiung, Taiwan

Ports:
- Kao Ming Container Terminal

Corporate Profile

China Merchants Holdings (International) Company Limited ("CMHI") is a global leading port developer, investor and operator. At present, CMHI's investments and operations span across Coastal China, Indian Subcontinent, Africa, Europe and Mediterranean, amongst others.

Top Ten Container Ports in China - 2013

Unit: million TEUs

	Port	CMHI Presence	2013	13 vs 12 Change
1.	Shanghai	✓	33.62	+3.3%
2.	Shenzhen	✓	23.28	+1.7%
3.	Hong Kong	✓	22.35	-3.3%
4.	Ningbo	✓	16.77	+2.7%
5.	Qingdao	✓	15.52	+7.0%
6.	Guangzhou		15.31	+3.8%
7.	Tianjin	✓	13.00	+5.7%
8.	Dalian		9.91	+22.9%
9.	Xiamen	✓	8.01	+11.2%
10.	Lianyungang		5.49	+9.3%

CMHI's investment strategy focuses on hub ports located at geographic regions that attract significant foreign investments, with strong economic growth momentum and strong import and export trade growth.

CMHI strives to provide its customers, with its expanding global ports portfolio, the gateway to China's foreign trade by offering timely, efficient and effective port services and integrated marine logistic support under its proactive but stable, efficient and effective strategy. CMHI seeks to capitalize on the synergy generated by its existing network of ports to create value for its shareholders.

In addition, CMHI also invests in bonded logistics and cold chain operations and port-related manufacturing operations in China.

Major Milestones in 2013

Feb 13

CMHI completed the acquisition from Djibouti Ports & Free Zones Authority a 23.5% stake in Port de Djibouti S.A. in the City of Djibouti, Djibouti in East Africa

Apr 13

CMHI completed the acquisition from China Nanshan Development (Group) Incorporation an additional 25% stake in Shenzhen Chiwan Wharf Holdings Limited

May 13

CMHI entered into an agreement for the establishment of a joint venture, in which CMHI has a 25% stake, to acquire Dongjiakou Terminal in Shandong province from Qingdao Ports (Group) Co., Ltd.

Jun 13

CMHI completed the acquisition from CMA CGM SA of a 49% stake in Terminal Link SAS, which operates, develops and invests in a port network comprising 15 container and bulk cargo terminals in 8 countries across 4 continents

Jul 13

Colombo International Container Terminals Limited in Sri Lanka commenced operation

Jan 14 to date

An agreement on implementation for Bagamoyo Project in Tanzania was signed between CMHI and the Government of the United Republic of Tanzania in January 14, laying a platform for CMHI to work torwards developing a port zone

CMHI proposed to issue mandatory convertible securities in a total amount of not less than HK$15.3 billion by way of an open offer to all shareholders in March 14

Chairman's Statement

It is with great delight that I present the Group's 2013 annual report and its audited financial statements for the year ended 31 December 2013.

The year of 2013 has seen the Group achieve yet another key milestone in its development history. By closely adhering to its formulated development strategies amid a weak global economic growth environment, the Group has not only progressed steadily but also successfully captured investment opportunities that further expanded its international presence, thus further anchoring its leading position as a global port operator. The business growth and operational performance of the Group's ports operation has demonstrated encouraging trends, whereas the bonded logistics operation also revealed promising signs.

The Group's progress, propelled upon its management philosophy of "investing prudently, enhancing network, integrating resources, and refining operational management" in pursuing various initiatives, has delivered noticeable results. With respect to establishing a global ports network, followed after the acquisitions in Lagos of Nigeria, Kaohsiung of Taiwan and Lomé of Togo were the successfully completed acquisition of equity stakes in respectively Port de Djibouti S.A. ("**PDSA**"), Djibouti of East Africa, and in Terminal Link SAS ("**Terminal Link**"), a former wholly-owned subsidiary of CMA CGM SA with interests in 15 container- and bulk cargo- terminals in 8 countries in the world. These acquisitions have helped to stem the Group's status as a global port operator. As regards its core ports operation, on-going efforts to integrate its resources, strengthen customer-relationship management, encourage innovation and improve operational efficiencies have, combined, led the Group to deliver sustainable and steadily growing operational results. Furthermore, the Group has sought to continuously raise its management quality through internal improvements such as refining its management platform, reengineering its operation model, identifying and controlling risks, as well as enhancing its information technology infrastructure.

Added to our transactional and operational achievements is our financial disciplining and our determination for prudent financial management, both of which are of equal importance to the long-term growth of the Group. After a few years of rapid expansion with significant capital expenditure, while we remain comfortable with our balance sheet sufficiency, we feel that it is of prudence that we should seek to, at the right market condition, appropriately restore our capital adequacy to a more comfortable level. It is with this consideration that the Group in March 2014 proposes to issue, by way of an open offer in a manner fair and equitable to all of our shareholders, mandatory convertible securities in a total amount of not less than HK$15.3 billion. This proposed issue is expected to, on the one hand, improve the credit profile of the Group and, in turn, enhance its borrowing capacity, and, on the other hand, avail shareholders a further opportunity to participate in the Group's future growth potential.

Operating results

The profit attributable to the equity holders of the Company in 2013 amounted to HK$4,213 million, representing an increase of 10.3% from 2012. Of this amount, recurrent profit totaled HK$4,008 million, an increase of 18.8% from 2012. The proportion of EBITDA derived from the Group's core ports operation to the Group's total increased from 72.6% in 2012 to 75.7% in 2013.

Dividends

The Board of Directors has resolved to propose at the forthcoming Annual General Meeting the payment of a final dividend of 55 HK cents per share which, together with the interim dividend already paid, will give a total dividend of 77 HK cents per share for the whole year, giving a payout ratio of 46.2%. Subject to the approval by shareholders at the forthcoming general meeting, the final dividend will be payable on or around 4 July 2014 to shareholders whose names appear on the register of members of the Company as at 29 May 2014.

Review for the year

The year under review was prevailed with a weak global economic growth momentum with varying performance across major economies: mild economic recovery was seen in the US and Japan, the Euro zone economy has seemingly bottomed, whereas emerging and developing economies showed signs of deceleration in economic growth. Statistics published by the International Monetary Fund ("**IMF**") in January 2014 revealed that global economy grew 3.0% in 2013, down by 0.1 percentage point from that for 2012. Of this, that for the developed economies grew 1.3% while emerging and developing economies recorded a growth of 4.7%, down respectively by 0.1 percentage point and 0.2 percentage point from those of 2012. The decelerated economic growth has caused global consumption demand to remain soft. IMF statistics also indicated that total international trade volume (including goods and services) grew 2.7%, same as that for 2012.

China's economy has remained broadly stable during 2013, progressing at a steady and steadily growing trend. Its GDP grew 7.7%, down marginally by 0.1 percentage point from that of 2012. With total import and export value reaching US$4,160 billion in 2013 (up 7.6% or 1.4 percentage points from the growth rate in the previous year), China has surpassed the US in terms of the scale of total foreign trade value to top the world's league. Of China's total trade value, export trade grew 7.9%, same as that of the previous year while import trade rose 7.3%, up 3.0 percentage points year-on-year. Ports of significant scale in China handled a total of 189 million TEUs in 2013, up 6.7% year-on-year, reflecting a 1.5 percentage points decline in growth rate and, in turn, a continuing declining trend in the contribution from the processing trade to China's overall economy.

In 2013, the Group's ports handled a total container throughput volume of 71.32 million TEUs, a significant increase of 18.5% year-on-year, led primarily by the incremental contribution from the newly acquired projects such as Kao Ming Container Terminal Corporation ("**KMCT**") in Taiwan, PDSA and Terminal Link. Excluding contribution from these newly acquired projects, container throughput volume of the Group grew 4.8% year-on-year. Bulk cargoes handled by the Group's terminals during 2013 totaled 349 million tonnes, up 6.8% from that of 2012, reflecting a steady growth. Throughput breakdown by regions showed that container throughput handled by the Group's ports in Mainland China rose 4.3% to 56.73 million TEUs in 2013, slightly higher than the growth rate of foreign trade-derived container throughput handled by China's ports, while our ports in Hong Kong, Taiwan and overseas handled a combined container throughput of 14.59 million TEUs, or an increment of 8.75 million TEUs when compared to that handled in 2012. Among the Group's major ports, Shanghai International Port (Group) Co., Ltd. maintained its position for the fourth consecutive year as the world's top ranking terminal in terms of volume throughput handled by recording a throughput of 33.62 million TEUs, reflecting an improved growth rate of 3.3%. Container volume handled by ports in

West Shenzhen, totaled 11.39 million TEUs in 2013, declined slightly by 1.7% year-on-year. The Qingdao project handled a total container throughput of 5.23 million TEUs, up 21.6% year-on-year. In Hong Kong, container volume handled by Modern Terminals Limited and China Merchants Container Services Limited, contrasting the decline trend shown by the Hong Kong market, grew 8.5% year-on-year with a combined container throughput volume of 5.90 million TEUs. Terminal Link, for the seven months in 2013 after the Group completed the acquisition of its equity interest, has contributed to the Group a throughput of 6.25 million TEUs.

Gravitating upon the three strategic objectives of "international positioning, homebase establishment, and innovative development", the Group has been actively pursuing designated tasks during 2013 thus ensuring the sustainable growth of the Group's core ports operation and its business performance.

The Group has set its strategic development goal to becoming the world's leading port investor, developer and operator. In 2013, major breakthroughs towards this goal were achieved. The consecutive completion of acquisition of equity interests in KMCT (Taiwan), PDSA (Djibouti, East Africa) and Terminal Link reaffirmed the Group's position among the global port operators. As at the end of 2013, the Group had 18 overseas ports projects situated across 4 continents. Together with its existing ports assets in Mainland China, Hong Kong and Taiwan, the business scale generated by these assets has placed the Group at the forefront of the world's league of global port operators, and laid a solid foundation for the Group in pursuing its strategic goal. In July 2013, Colombo International Container Terminals Limited located in Colombo, Sri Lanka, the Group's first overseas green-field project with management right, commenced operation. The project's successful roll-out is of profound significance to the Group in terms of establishing an international ports network, accumulating experience in developing green-field projects and in managing overseas ports, as well as nurturing managerial talents in the ports business.

As for the homebase port establishment, the approach has been from four perspectives, namely, operational integration, the establishment of collection-and-distribution system for cargoes, improvements in customs-control processes, and the collaboration between bonded logistic parks and adjacent ports. During 2013, the Group took over the management control in Shenzhen Chiwan Wharf Holdings Limited pursuant to the entrustment arrangement and exerted its control over the West Shenzhen Port Zone through South China Container Terminal, a unified management and operation centre in West Shenzhen. In addition, "CM Port", a terminal operating system developed and proprietory-owned by the Group, went live successfully in Shekou Container Terminals in early 2014, allowing the Group to gradually exercise unified management in terms of commercial, operational, information technological functions in the West Shenzhen Port Zone. With regards to the establishment of a cargo collection-and-distribution system, the widening of the Tonggu Channel has been incorporated in the development plan of the Shenzhen Port Zone. Having commenced were the site-searching and the design of the Chiwan Radar station, a dedicated traffic monitoring facility for use by the West Shenzhen Port Zone. Investment in river terminals along the Pearl River Delta, the expansion of the barge network, the building of "inland ports" and the promotion of "sea-rail inter-modal transportation demonstration project" have all progressed as scheduled, all in all optimizing and improving the operational quality in the West Shenzhen Port Zone. As for improvements in customs-control environments, the rendering of 24-

hour service to support cross-terminal transfer operation for cargoes across the entire West Shenzhen Port Zone has helped to further mobilize the degree of interaction among individual port units in the region. In addition, the synergistic effect derived from the collaboration between the Group's bonded logistics parks and the corresponding ports has become obvious alongside encouraging results reflected in resource utilization, business innovation and operational results of all units involved. On-going efforts to enhance the capabilities of the Group's homebase ports have elevated their core competence, thus adequately equipping the Group to capture the potential to arise as the status of "free-trade port" develops, which, it is expected, would in turn induce the transformation and enhancement of the ports industry.

During 2013, the Group has launched innovation-oriented measures focusing on technology and technical processes, management, and business model. In the aspect of technology and technical processes, dedicated efforts have been placed on establishing "intelligence ports" that aimed towards enhancing operational efficiency alongside with relief in operating cost pressure. In addition, efforts were also directed towards establishing "demonstration green ports", thus helping to accelerate the establishment of the next-generation ports that are environmental-friendly and energy-conserving. As for management innovation, the Group continued to work with a well-known international consultancy firm to design and develop an operational refinement platform, through which both management capability and efficiency in decision-making can be enhanced. On the development of innovative business model, the Group has, from the perspective of studying customers' demand, been actively exploring the feasibility of establishing an ecological environment for ports with a view to retrieving new opportunities leveraging on integrating up-stream and down-stream customers, thereby creating sustainable value to customers. Cited as an example was the cross-border e-commerce platform introduced by China Merchants Bonded Logistics Co., Ltd. ("**CMBL**") during the year.

In 2013, the Group's bonded logistics business continued to show sustainable growth. CMBL's steadily expanding business volume, as reflected in a warehouse utilization rate of 93%, has not only lent support to improving the performance of the bonded logistics operations, but also founded a base from which the collaboration between the logistics park and the West Shenzhen Port Zone can be broadened. The Qingdao Logistics Park which is operated by China Merchants International Terminal (Qingdao) Co., Ltd. saw its business volume for cargo consolidation and deconsolidation services and, in turn, its operating results, doubled. Tianjin Haitian Bonded Logistics Company Limited, driven primarily by the increase in automobile imports, has seen rapid growth in its operating performance. Nurtured by the Group as a priority growth driver, the bonded logistics business was gradually unleashing its potential. Along with more policy support expected to be forthcoming and its operations becoming more innovatively improved, the bonded logistics business would see greater development space in the future. China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "**CMAC**"), being the Group's cold chain logistics operation platform, delivered growth in its warehouse business, with an average warehouse utilization rate reaching 77%, up 9 percentage points year-on-year, resulting in turn in an increase in CMAC's warehousing revenue during the year under review.

Prospects

The IMF, in its "World Economic Outlook" report published in January 2014, forecasted the global economy to continue to improve in 2014 and 2015. The report pointed out that, since the second half of 2013, global economic activities and world trade have gradually been on an upward trend with developed economies' demand expanding as anticipated, whilst export rebound would be the main driver behind improved activity of emerging economies. The report also projected the global economy to grow 3.7% in 2014, of which growth of developed economies at 2.2%, up 0.9 percentage point from that of 2013, and growth of emerging economies at 5.1%, or 0.4 percentage point up from that of 2013. In addition, the report expected world trade volume (goods and service) to expand by 4.5%, reflecting a 1.8 percentage points increase from that of 2013.

The global economy, as it is expected, would gradually come out in 2014 of the aftermath of the global financial crisis, faring slightly better than a year ago. Against this background, China's export growth is anticipated to accelerate modestly faster than that of 2013, thus offering a higher contribution to China's overall growth. Projections by most renowned institutions expect China's GDP for 2014 to grow at between 7.5% to 8.0% with a steadily smooth and steady economy. With improved external demand, support derived from internal growth potential, value from structural reform continued to be unleashed, and macroeconomic policy-driven stimulus appropriately introduced, China's economy is expected to continue to grow at a moderate to high momentum going forward.

Led by the gradual recovery in global economy and international trade velocity, ports business globally is expected to improve modestly in 2014. China's steadily growing domestic economy and world trade's continuing recovery, combined, are expected to bring impetus to the Group's ports operation. The production capability gradually unleashed due to the addition of new capacity from overseas green-field projects and the inclusion of newly-acquired operating projects would add new growth drivers to the Group. On the other hand, the consistently over-supply of shipping capacity globally, the continuing trend of deploying more mega-vessels, the prevalence of shipping alliance, and the uneven resource deployment by regional ports in the Mainland are expected to cause considerable challenges to the ports industry.

In 2014, the Group will continue to stride forward, stemmed from the three strategic goals of "enhancing its network portfolio, pursuing business transformation and capability enhancement, and promoting innovation" with a view to becoming a leading global port investor, developer and operator.

To enhance its network portfolio, the Group will continue to explore the possibilities of deepening the cooperation with its existing projects both in China and overseas while monitoring other potential investment opportunities with a view to enhancing its global ports network through investing prudently, building a balanced port portfolio, and creating mutually-beneficial synergies. In addition, the Group will continue to actively groom its team of operational professionals for its international ports through more frequent exchanges and cooperation on the international front, in order to elevate the Group's position and influence in the global ports industry.

As for business transformation and capability enhancement, anchored upon the operational integration within the West Shenzhen Port Zone, the Group will actively seek to transform homebase ports through upgrading the handling capacities of their berths and navigation channel, improving cargo collection-distribution connectivity, integrating internal resources, continuing the custom-control improvements, encouraging innovation alongside the establishment of green ports, strengthening the collaboration between the bonded logistics parks and its corresponding port zones, as well as refining its management platform. West Shenzhen Port Zone, located within the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, will actively seek to capitalize on the opportunities availed from the development in the region, in particular the advantages associated with the "free trade port" policies, in order to elevate the integrated service level of the ports and to establish a modernized homebase port.

Insofar as promoting innovation is concerned, the Group will continue its efforts to encourage innovation in aspects of technology and technical know-how, and management and business models. Engaging a refined management platform is expected to augment efficiency in the decision-making process and to enhance management capability. In addition, the Group will actively explore means through which to extend the service capabilities of the bonded logistics and cold chain operations along their supply/value chain. Leveraging on new business practices such as cross-border e-commerce and procurement and distribution services as key initiatives and aided by preferential policies available, the Group seeks to design and adopt new business models which, it is expected, would drive the sustainable growth, in both scale and efficiency terms, in the Group's logistics business.

Looking forward into the year of 2014, amid the mild recovery in both the global economy and international trade activity alongside the on-going adjustment and consolidation of the international maritime industry, the Group expects its ports operation to face both opportunities and challenges. By clearly identifying its current positioning, timely capturing opportunities available, and making prudent decisions, the Group is well placed to ensure the sustainable and stable growth of its operations, thereby yielding ever-improving investment returns for our shareholders.

Investor relation

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 550 visits by investors and analysts were received and/or met by the Group in 2013, 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 enhancing 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 ratings by Standard & Poor's and Moody's are presently maintained at BBB and Baa2 respectively.

Appreciation

The remarkable results achieved by the Group during 2013 amid an adverse macroeconomic environment 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.

Dr. Fu Yuning

Chairman

Hong Kong, 31 March 2014

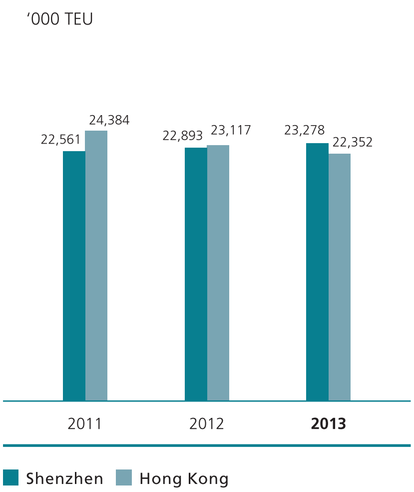
Management Discussion and Analysis

Business and financial review

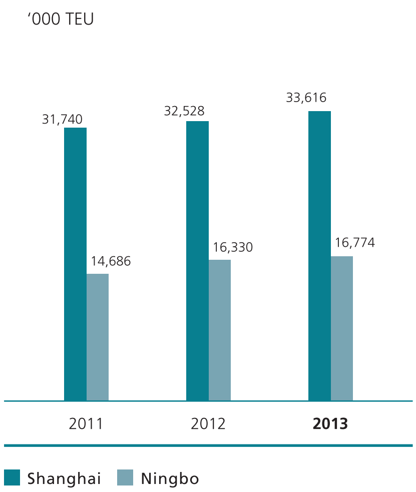
During the year under review, the global economy has been overall stable with modest growth although the second half of 2013 trended towards accelerated growth led by the developed economies' better-than-expected performance with economic growth drivers shifting towards the gradually strengthening developed economies. The US economy has slowly but sustainably recovered and the Euro-zone economy has displayed near-term recovery signs, whereas the emerging economies have, affected by sluggish external demand, demonstrated decelerated economic growth. The International Monetary Fund ("**IMF**") revealed that while global economic activities have improved during 2013, risks brought about by the global economic growth weakening further still persisted. For the developed economies, the risks induced by insufficient consumption demand alongside low inflation rates have gradually surfaced. As for the emerging economies, the already enlarging problems due to their respective economic structural issues combined with the gradual tapering of quantitative easing measures expected to be introduced by the US have amplified the capital outflow risks. According to a report published by the IMF in January 2014, global economic growth for 2013 was 3.0%, down 0.1 percentage point from that of 2012, of which that for the developed economies was 1.3%, down 0.1 percentage point year-on-year; while that for the emerging economies was 4.7%, down 0.2 percentage point year-on-year. Total global trade volume (including goods and services) grew at the same rate as in 2012 at 2.7%.

In 2013, along with a moderation of China's GDP growth rate to 7.7% was the steady recovery of its foreign trade growth. The total value of China's import and export value amounted to US$4,160.3 billion during the year under review, reflecting a year-on-year increase of 7.6%, and 1.4 percentage points above the growth rate for the previous year. Among the total value of foreign trade, total export value was US$2,210.0 billion, indicating a 7.9% year-on-year increase, in line with the growth rate in 2012; while total import value was US$1,950.3 billion, representing a 7.3% year-on-year increase, and a 3.0 percentage points increase as compared to that for the previous year.

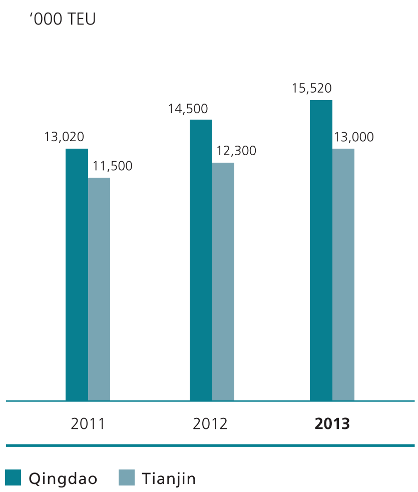
Container throughput in Shenzhen and Hong Kong 2011-2013



Container throughput in Shanghai and Ningbo 2011-2013



Container throughput in Qingdao and Tianjin 2011-2013

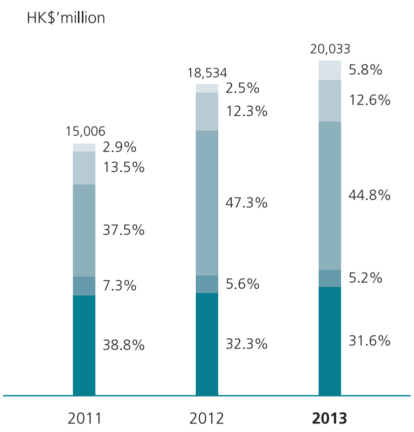


Due to the slow recovery of the global economy and the inadequate demand growth, global port business generally showed a subtle growth. Statistics published by the Ministry of Transport revealed that container throughput handled by Chinese ports of significant scale totaled 189 million TEUs in 2013, representing a year-on-year increase of 6.7% but approximately 1.5 percentage point down as compared to the growth rate in last year.

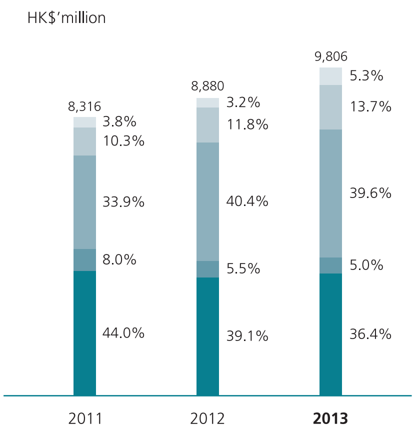
In 2013, the Group's ports handled a total container throughput of 71.32 million TEUs, up 18.5% year-on-year, or a year-on-year growth of 4.8% if the volume contributed by the newly acquired projects were excluded, of which total container throughput handled by the Group's ports in Mainland China grew 4.3% year-on-year. Bulk cargo volume handled by the Group's ports totaled 349 million tonnes, registering a 6.8% year-on-year growth. China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, continued the feeble growth trend experienced in 2012 in the sales performance of its container manufacturing business amid the prolonged downturn of the shipping industry, recording sales of 1.21 million TEUs of dry cargo containers and reefers in 2013, which was flat year-on-year, and 60,000 TEUs of special-purposed units , down 12.6% year-on-year.

In September 2012, the Company and China Nanshan Development (Group) Incorporation ("**China Nanshan**") entered into an entrustment agreement pursuant to which China Nanshan granted the Company the right to manage, and the power to direct the voting rights over its entire interest in, Shenzhen Chiwan Wharf Holdings Limited ("**Shenzhen Chiwan**"). This entrustment agreement became effective in November 2012. In December 2012, the Company and China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**") agreed to terminate the entrustment agreement signed in 2010 in respect of the management and voting rights in 23.49% stake in China Nanshan CMHK assigned to the Company.

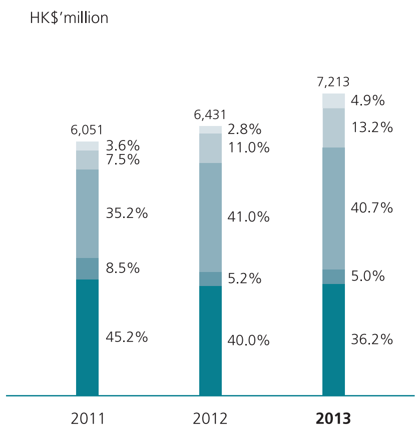
Ports Revenue[(1)]



Ports EBITDA[(2)]



Ports EBIT[(3)]



Mainland China, Hong Kong and Taiwan

Shenzhen | Hong Kong | Shanghai and Ningbo | Others | Other locations

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

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.

Note 3 Earnings before net interest expenses, taxation, unallocated income less expenses and non-controlling interests ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and joint ventures.

Upon completion of the above transactions, the Group ceased with effect from 28 December 2012 to control and consolidate the assets and liabilities and other financial results of China Nanshan and its subsidiaries (together the "**Nanshan Group**") excluding Shenzhen Chiwan and its subsidiaries (together the "**Shenzhen Chiwan Group**") (Nanshan Group excluding Shenzhen Chiwan Group are hereinafter referred to as the "**Nanshan Outgoing Group**"), which is thereafter equity-accounted for as an associate, while maintaining Shenzhen Chiwan as its subsidiary. Deconsolidating Nanshan Outgoing Group would not affect the profit attributable to the Company's equity holders but led, as a consequence, to a significant year-on-year reduction in various income-statement items of the Group for the year ended 31 December 2013, including, but not limited to, revenue, cost of sales, and profit attributable to non-controlling interests, especially where it relates to the performance of segment under the heading of bonded logistics and cold chain operation.

During the year under review, profit attributable to the Company's equity holders amounted to HK$4,213 million, representing a year-on-year increase of 10.3%. Of this amount, recurrent profit[Note 4] was HK$4,008 million, up 18.8% as compared to the previous year. EBITDA derived from the Group's core ports operation amounted to HK$9,806 million, representing an increase of 10.4% as compared to the previous year, and accounting for 75.7% of the Group's total EBITDA.

With the above in mind and having considered its current capital structure and financing capability, the Company has in March 2014 proposed to issue, by way of an open offer (the "**Open Offer**") to all shareholders, mandatory convertible securities (the "**MCS**") in a total amount of not less than HK$15.3 billion, with an aim of improving the Company's credit and liquidity profile whilst providing shareholders, by subscribing to the MCS, an opportunity to tap into the growth potential of the Group. The MCS yields defined fixed

Note 4 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for both 2013 and 2012, change in fair value of investment properties and financial asset at fair value through profit or loss, and for 2012, gain on disposal of interests in associates and net loss associated with ceasing to control certain subsidiaries.

return until the mandatory conversion date and entitles a holder to convert into the Company's ordinary shares. The Open Offer, to be fully underwritten by China Merchants Union (BVI) Limited ("**CMU**"), a 22.7% shareholder of the Company which is 50% beneficially owned by the ultimate shareholder of the Company, China Merchants Group Limited, is expected to result in reduction of interest bearing debts of the Group, through the repayment of debt with part of the proceeds from the Open Offer, and a corresponding decrease in net gearing ratio as well as interest expense of the Group. The details of the Open Offer are disclosed in the Company's announcement regarding the Open Offer dated 31 March 2014.

Ports operation

In 2013, EBIT derived from the Group's ports operation amounted to HK$7,213 million, representing a year-on-year increase of 12.2% and accounting for 74.8% of the total EBIT of the Group, up from 70.8% last year.

During the year, the Group's ports in Mainland China handled a total container throughput of 56.73 million TEUs, up 4.3% year-on-year, slightly higher than overall growth rate of foreign-trade-derived container throughput of all ports in Mainland China, thus sustaining the Group's leading position among China port operators. Taking into account the container throughput handled by Kao Ming Container Terminal Corporation of Taiwan ("**KMCT**"), in which the Group together with another two Mainland China enterprises acquired a 30% stake in December 2012, the Group handled a combined throughput of 7.08 million TEUs in Hong Kong and Taiwan, an increase of 30.1% year-on-year. Throughput handled by the Group's overseas projects totaled 7.51 million TEUs in 2013, primarily driven by the additional throughput

contribution from Port de Djibouti S.A. ("**PDSA**"), Djibouti, and Terminal Link SAS ("**Terminal Link**"), in both of which the Group acquired equity stakes during 2013, as well as the commencement of operations of Colombo International Container Terminals Limited ("**CICT**") in July.

In Mainland China, the performance of container port operations varied across regions. In the Pearl River Delta region, the Group's terminals at Western Shenzhen handled 11.39 million TEUs in 2013, down by 1.7% year-on-year. Chu Kong River Trade Terminal Co., Ltd. handled 1.19 million TEUs, an increase of 6.4% year-on-year. In the south-eastern coastal China, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") handled container throughput of 0.56 million TEUs during the year, representing an increase by 30.7% year-on-year owing to the increase in domestic cargoes. In the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd ("**SIPG**") recorded a throughput volume of 33.62 million TEUs, representing an increase of 3.3% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd. handled 2.07 million TEUs, showing a year-on-year increase of 7.5%. In the Bohai Rim region, through the continuous deepening of working relationship with Qingdao Port (Group) Co., Ltd., Qingdao Qianwan United Container Terminal Co., Ltd. saw its container volume jump by 21.6% to 5.23 million TEUs, while Tianjin Five Continents International Container Terminals Co., Ltd. handled 2.30 million TEUs with a year-on-year growth of 5.5%. As regards the Group's port operations in Hong Kong and Taiwan, Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong handled a combined container throughput volume of 5.90 million TEUs, recording a 8.5% increase year-on-year against an overall decline in throughput volume in the Hong Kong market, while KMCT, in which the Group acquired an equity stake in December 2012, contributed throughput of 1.17 million TEUs during the year. On the overseas front, Tin-Can Island Container Terminal Limited, Nigeria, delivered a throughput of 0.47 million TEUs, up 18.3% on a year-on-year basis; while the newly acquired PDSA and Terminal Link contributed throughput volume of 0.74 million TEUs and 6.25 million TEUs respectively, and CICT, Sri Lanka, handled throughput volume of 0.06 million TEUs since its commencement of operation in July 2013.

The Group's bulk cargo handling operation recorded a total throughput volume of 349 million tonnes during 2013, up 6.8% year-on-year. Of this total, 34.63 million tonnes (up 6.0% year-on-year) were contributed by the Group's ports in Western Shenzhen, 9.64 million tonnes (up 10.3% year-on-year) by ZCMP, 204 million tonnes (up 10.5% year-on-year) by SIPG, 22.13 million tonnes (down 20.9% year-on-year) by Qingdao Qianwan West Port United Terminal Co., Ltd. and 68.14 million tonnes (down 0.2% year-on-year) by Zhanjiang Port (Group) Co., Ltd, 6.09 million tonnes (up 46.2% year-on-year) by Dongguan Machong Terminal with its addition of new capacity, and 3.82 million tonnes by the newly acquired PDSA.

During the year 2013 which was prevailed with adverse external operating environment, guided by the directives of "optimizing scale, refining operation, prioritizing on efficiency, and balance between resource allocation and strategic positioning", the Group has, on the one hand, continued to refine and upgrade its management system and process, encourage technological innovation and enhance operational management capabilities through which to achieve cost savings and efficiency gains and, in turn, to optimize shareholders' return. On the other hand, the Group has continued to expand its global footprint by pursuing acquisition of port assets strategically located at hub locations, thus creating synergies built on the Group's global port network through optimization of resources, whilst striving to extend its value chain and promote business model innovation relating to its ports operation, in order to inject impetus into the Group's sustainable growth.

Year 2013 also saw remarkable achievements in both overseas acquisition and development of greenfield projects. The Group has completed in June the acquisition of a 49% equity interest in Terminal Link, a wholly-owned subsidiary of CMA CGM SA ("**CMA CGM**") engaged in the investment in and the development and management of 15 container and bulk cargo terminals conveniently situated along major international sea-lanes across 8 countries in 4 continents, thus further anchoring the Group's presence in pursuit of its international strategies for the longer term development of its port business whilst complementing the Group's existing ports operation and bringing in new growth drivers. Furthermore, this strategic cooperation between the Group and CMA CGM is expected to further deepen the working relationship already existing between the two parties and is conducive to consolidating the competitiveness of both parties in the international maritime industry. Overseas project development has also reached a new milestone as CICT, the Group's first overseas greenfield project with a design handling capacity of 2.4 million TEUs, commenced operation in July 2013, providing a solid support to the growth of the Group's business.

Regarding the on-going establishment of its West Shenzhen homebase ports, the Group has dedicated its efforts in developing an integrated transportation network centered around the West Shenzhen Port Zone as a means to position the Group in anticipation of increasing deployment of mega-sized vessels and shipping companies becoming more allied, thereby further extending the Group's cargo-sourcing capability in the region. For the development of sea-rail multi-modal network, with a view to extending its cargo-sourcing reach-out throughout the Pearl River Delta, the Group has participated in the "National Demonstration Project for Container Sea-rail Inter-modal Transportation Network Application". This is a data-collaboration project directed by the Ministry of Transport and run in six selected nationwide sea-rail inter-modal transportation routes including those in South China, and aims to explore and develop a refined model of data collaboration in a multi-modal network with unified information protocol. Backbone-supported by modern internet communication technologies, the project leverages on collaborating rail- and river- transport data to deliver seamless connectivity of logistics data for terminal-to-rail container movements, thus resulting in enhancing inter-modal business synergies and service quality. The resulted capability of this project is expected to significantly enhance the Group's efforts towards implementing the sea-rail connectivity strategy from West Shenzhen Port Zone.

In terms of improvements in the barge network in Pearl River Delta, capitalized on the established advantages at its West Shenzhen homebase ports of asset quality, service quality and location, the Group has mobilized the synergistic collaborations between its homebase ports and the river terminals in the Pearl River Delta. West Shenzhen Port Zone has, during 2013, stemming from the already-operating South China barge shuttle service, successfully launched the pilot service for feeder-routes that now covers a number of river terminals including those at Zhongshan, Huangpu and Foshan. The five feeder-routes currently in operation have shown promising signs in facilitating the hub-and-spoke connectivity and achieving economies of scale. The Group has also actively sought to capture opportunities, through equity-investing in river terminals, to help roll out the Group's strategic positioning in expanding its regional river network with an aim of strengthening the reach-out of its homebase ports in Western Shenzhen through the on-going improvement of its hub-and-feeder transportation network.

As regards the Group's operation in China outside of the West Shenzhen Port Zone, aiming towards better alignment of port assets, the Group has been proactively strengthened and interacted with major port groups along coastal China with a view to identifying new investment and cooperation opportunities.

As for the managing of ports operation, based on the already-established standardisation system for container-handling operation, the Group has in 2013 continued to work with a well-known international consultancy firm to initiate the development of an operational refinement platform. This platform, a unified corporate data bank backed by information technology and adopting refinement management concepts, captures all operational data on a standardized basis and is designed to avail an efficient management reporting and assessment mechanism. Not only does this platform improve decision-making efficiency and enhance management quality, it also significantly supports performance evaluation processes. Meanwhile, in response to the ever-changing operating environment in, and development trends of, the logistics industry, the Group has actively promoted innovative management via an innovation and development committee alongside an incentive mechanism to encourage innovation on aspects of technology and technical process, management and business model, with a view to achieving the goals of cost reduction and efficiency enhancement.

Bonded logistics and cold chain operations

During the year under review, the Group's bonded logistics and cold chain operations recorded a total revenue of HK$702 million and EBIT of HK$390 million, down respectively 61.6% and 66.1% when compared to that of last year, due primarily to the negative effect derived from deconsolidating Nanshan Outgoing Group since 28 December 2012 as mentioned earlier on in this discussion.

In 2013, the Group's bonded logistics operation continued to show rapid growth. Capitalizing on the development opportunities availed from the latest developments at Qianhai Cooperation Zone and the preferential policies offered at the Qianhai Bonded Port Zone, China Merchants Bonded Logistics Co., Ltd., a subsidiary of the Group, has been actively promoting the innovation of bonded logistics operation models and successfully captured business opportunities offered by the cross-border trading activities and cooperation between Shenzhen and Hong Kong through integrating the value chain derived from the cargo flow through the ports in Shenzhen, hence delivering promising growth in its major operational performance indicators during the year. Having optimized its cooperation with customers along with expanded service capability under the philosophy of "operation model innovation and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has secured new business models with new revenue drivers, resulting in significant improvement in its operating efficiency during the year. Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobile (in whole) with a view to building up its unique competitive edge in the Dongjiang Bonded Port Zone. Amid a stabilization of the macro-economy, the Group's bonded logistics business has demonstrated a rapid and consistent growth momentum. This positive performance reflected not only the collaboration synergy between bonded logistics parks and their corresponding port zones, but also the value through adhering to the Group's strategy in extending the port's value chain by developing bonded logistics. China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "**CMAC**"), the Group's cold chain logistics operation platform, having undergone rapid development in recent years, enjoys better recognition from customers and industry participants. Its storage business grew in 2013 with an average warehouse utilization rate of 77%, up 9 percentage points from the previous year. In particular, the operating performance of South China Cold Storage Facilities in West Shenzhen has seen improvement.

During 2013, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 3.52 million tonnes, flat year-on-year. That handled by Asia Airfreight Terminal Company Limited, in which the Group is interested, totaled 0.76 million tonnes, up year-on-year 6.1%, a growth rate higher than that for the whole market.

Port-related manufacturing operations

During the year under review, EBIT generated by the Group's port-related manufacturing operations amounted to HK$1,232 million, up 16.9% year-on-year.

Against the backdrop of a feeble growth in global economic and trade activities and a consistently weak shipping industry, CIMC's sales performance remained sluggish, recording total sales of 1.21 million TEUs of dry cargo units and reefers, which was similar to that of last year. Combined with a lower unit price, CIMC's revenue derived from its container manufacturing business declined 15.5% year-on-year.

Corporate social responsibility

Simultaneous as the Group strives to continuously improve its operating results and generate returns for shareholders, it places equal emphasis on fulfilling its social responsibilities towards its employees, the community and the environment with a view to ensuring our community become healthier and more sustainable.

In 2013, in response to the call for "save energy, reduce emission", the Group has, through the adoption of innovative technology, been actively working towards the establishment of "green port" and the optimization of ports in terms of environmental friendliness and resources conservation. The Group's West Shenzhen Port Zone, a modern container port zone powered by clean and green energy, has been listed as one of China's first national low-carbon demonstration port zones that is green, efficient, ecological and sustainable. Currently, the Zone pioneers in Mainland China in the area of shore-power supply for vessels.

The Group is committed to integrate its corporate core values into the community by actively participating in various community and charitable events which focus on, amongst others, helping education, alleviating poverty, making charitable donations and offering community services, thus contributing towards enhancing our society to be more sustainable and making our environment more harmonious.

Liquidity and treasury policies

As at 31 December 2013, the Group had approximately HK$3,205 million in cash, 16.0% of which was denominated in Hong Kong dollars, 9.6% in United States dollars, 68.7% in Renminbi and 5.7% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistics and cold chain operations, property investment, and investment returns from associates and joint ventures, which together contributed HK$5,196 million in total.

During the year, the Group's capital expenditure amounted to HK$3,919 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position by holding an appropriate level of cash to meet its operating requirements. In addition, as a significant portion of the Group's bank loans were medium- to long-term borrowings, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 31 December 2013, the Company had 2,526,690,412 shares in issue. During the year, the Company issued 3,536,000 new shares upon the exercise of share options and received net proceeds of approximately HK$64 million as a result. Other than the above-mentioned newly issued shares, the Company issued 31,731,024 shares under the Company's scrip dividend scheme.

As at 31 December 2013, the Group's net gearing ratio (net interest-bearing debts divided by total equity) was approximately 42.1%.

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

During the year, loans for the amounts of USD500 million and EUR390 million were drawn respectively by the Company and a wholly-owned subsidiary from CMU, which are repayable within 5 years, to finance the Group's investments and its working capital. Another non-wholly-owned subsidiary of the Company issued fixed-rate unlisted notes with various maturities for the aggregate amount of RMB1,000 million to finance its working capital. On 31 March 2014, the Company also proposed to issue the MCS in the principal amount of not less than HK$15.3 billion by way of the Open Offer at a subscription price of HK$30.26 per unit of MCS, the details of which are disclosed in the Company's announcement regarding the Open Offer dated 31 March 2014.

The Group also had aggregate bank borrowings and listed notes payable of HK$11,994 million as at 31 December 2013 that contain customary cross default provisions.

As at 31 December 2013, the Group's outstanding interest bearing debts are analysed as below:

	2013 **HK$'million**	2012 HK$'million
Floating-rate bank borrowings are repayable as follows *(Note)*:		
Within 1 year	**1,703**	3,712
Between 1 and 2 years	**244**	135
Between 2 and 5 years	**1,777**	702
More than 5 years	**1,720**	335
	5,444	4,884
Fixed-rate listed notes payable are repayable:		
In 2013	—	2,323
In 2015	**3,873**	3,869
In 2018	**1,537**	1,534
In 2022	**3,821**	3,814
	9,231	11,540
Fixed-rate unlisted notes payable are repayable:		
In 2014	**636**	—
In 2017	**633**	612
In 2018	**631**	—
	1,900	612
Loans from the ultimate holding company		
Repayable within 1 year	**78**	986
Repayable between 2 and 5 years	**1,323**	—
	1,401	986
Loans from an intermediate holding company		
Repayable between 1 and 2 years	**637**	—
Repayable between 2 and 5 years	—	617
	637	617
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	**292**	183

Note: All bank borrowings are unsecured except for HK$2,524 million (2012: HK$540 million).

The interest bearing debts are denominated in the following currencies:

	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**

	As at 31 December 2012							
	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	3,038	11,540	—	—	—	—	—	14,578
RMB	1,344	—	612	—	617	986	—	3,559
EURO	502	—	—	—	—	—	183	685
	4,884	11,540	612	—	617	986	183	18,822

Assets charge

As at 31 December 2013, bank loans of HK$2,524 million (2012: HK$540 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$34 million (2012: HK$35 million) and land use rights with carrying value of HK$7 million (2012: HK$7 million). In addition, the entire shareholdings in two subsidiaries, owned by the Company and a subsidiary of the Company respectively, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

As at 31 December 2013, 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.

Employees and remuneration

As at 31 December 2013, the Group employed 5,878 full time staff, of which 180 worked in Hong Kong, 5,527 worked in Mainland China, and the remaining 171 worked overseas. The remuneration paid for the year amounted to HK$1,329 million, representing 24.7% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to their performance, the conditions of the human resources market and the general economy.

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

Future prospects

Treading on the steadily slow rebound in global economic and trade velocity prevailed in the second half of 2013, global economy is expected to moderately continue its recovery in 2014. According to the latest forecast by IMF, global economy is expected to grow 3.7% in 2014, up 0.7 percentage point as compared to that in 2013. Of this growth, the growth rate of developed economies is anticipated to be 2.2%, up 0.9 percentage point from a year ago, and emerging economies, up 5.1%, or 0.4 percentage point higher than the previous year. The international trade volume (goods and service) is expected to grow 4.5%, reflecting a 1.8 percentage points increase year-on-year. Nevertheless, IMF also indicated that the risk of the global economy trending downwards still exists. The developed economies and, in particular, the Euro Zone, might run the risk of suppressed growth due to constrained economic activities induced by the exceptionally low inflation environment. As for the emerging economies, the US's gradually-implemented tapering measures since the last part of 2013 are expected to cause increased volatility to these economies' financial markets and the capital flows, which would, in turn, indirectly affect their real economies. That global economic growth accelerating, therefore, may not infer that the global economy has put behind the difficulties experienced and, it is anticipated, most governments to ensure steady economic expansion would still regard sustaining growth and managing financial vulnerabilities as their top policy issues.

The Chinese economy is expected to trend modestly upward in 2014 having mildly rebound in the second half of 2013. The World Bank's latest forecast indicates that Chinese economy would grow 7.7% in 2014, similar to that achieved for 2013. Revival in external demand would cause foreign trade growth to intensify. However, in the face of an appreciated Renminbi, the ever-rising labour costs, and deep-rooted economic structural issues, tasks to "encourage innovations and intensify reform endeavours" are expected to remain priority in managing China's domestic economy in the foreseeable future.

Notwithstanding the macro-economic environment having somewhat improved, the international maritime shipping companies' operating environment is expected to remain difficult in the foreseeable future, caused by excessive supply of shipping capacity, intensified competition within the industry, and pressure on tariffs. The Group remains cautious to cautiously optimistic on its ports operation in 2014. The Group expects the global ports business performance for 2014 to be slightly better than that for 2013, derived from a gradual increase in global economic and trade velocity growth. However, the further allying of shipping companies would present the global port industry with both opportunities and threats. The uneven deployment of port resources within individual regions along coastal China would impact the operational behaviour of the ports at these regions. Besides, the trend towards deploying more mega-sized vessels would necessitate the upgrading and restructuring of port infrastructure and facilities. The port industry, therefore, is still facing considerable challenges.

Based on these analysis and judgment, the Group will manage its business in 2014 along the visions of "integrating and optimizing resources, transforming and refining operations, intensifying the execution of strategies, thereby elevating business scale, service quality and asset efficiency". In aligning the Group's capability with the trend exhibited by the international maritime industry, the Group intends to, through integrating resources, upgrading and transforming its operations, and refining its management control, enhance the benefits derived from existing assets so as to ensure a stable return to shareholders. On the other hand, guided by the strategies set, the Group also intends to actively implement strategies set for its domestic market, overseas and business innovation. The Group aims to capture market opportunities whilst exploring the possibility to extend the value chain in the ports operation and to seek business remodeling through innovation, all in all with a view to endeavouring to add new drivers for the Group's sustainable development.

As for its operation, to better position the Group amid the further allying of shipping companies, the Group aims to forge deeper the working relation already existing with its strategic customers by providing them, where possible, with comprehensive, multi-route and multi-stop, solutions by fully leveraging on its expanding global port network, integrating ports resources and commercial collaboration offered by such network.

As for improvements at its homebase capabilities, the Group will strive to accelerate the construction and upgrading of the infrastructure and operating environment at West Shenzhen, including berth upgrading and channel widening, in anticipation of the service demand from the mega-vessels that are increasingly deployed. With the Group's equity control in the equity interests in its homebase ports in West Shenzhen having been consolidated, the Group plans to continue its effort in the unifying and integrating these West Shenzhen ports through sharing of resources within the region to enhance asset utilization and service quality. Meanwhile, the Group will continue to streamline the cargo collection-distribution capabilities at ports, to improve the sea-rail inter-modal connectivity in conjunction with expanding the barge network in the Pearl River Delta, currently pivoted at "network application demonstration project" and "feeder-liner" operation respectively, and to further explore new operation mode. All these endeavours aim to offer optimal value to its customers, thereby increasing the attractiveness of the homebase port to shipping liners and the related cargo sources.

With respect to international expansion, while the Group continues to ensure existing overseas projects are well managed, it strives to further improve the positioning of its global ports network by continuing to pursue the set internationalization strategy through closely monitoring and studying investments and co-operation opportunities around the globe.

As regards operational management, through the adoption of a refined management data platform, the Group aims to elevate its control standards through the building and application of a standardised operational data information platform that facilitates management information analysis for performance and control. The Group also intends to replicate the implementation of such management control systems to projects both in and outside of China as a means to provide the best practicable solutions in elevating the management qualities of the Group, in turn, to best support the Group's expansion endeavours.

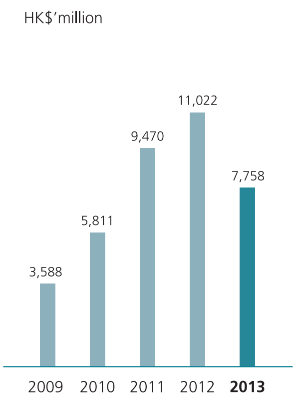
Innovation, as one of the drivers for sustainable business growth, and in the context of continuing technological advancement and refinement of business model, is pursued in areas ranging from the application of networking and automation technologies, which helps reducing reliance on labor force whilst enhancing efficiency, to the development along the value chain, capitalizing on the opportunities similar to the one offered by the recent development in Qianhai, by exploring ways for integration of the traditional port business with emerging ones, and extending the service capabilities within the supply chain, stemming from the ports as the core.

Whilst the global macroeconomic environment is hopeful of improving in 2014, the market environment will remain complex. The Group intends to trend with the ever-changing market conditions and seek to capture prevailing opportunities available while navigating its business operations to ensure stability and steady progress in line with strategies and objectives established. As always, the Group endeavours to deliver annual targets set, optimizing benefits with enhanced profitability, thereby delivering better returns for its shareholders.

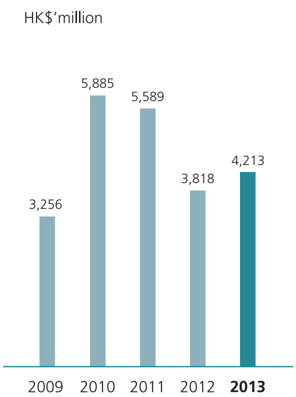
Five-year Financial Summary

	2013 HK$'million	2012 HK$'million	2011 HK$'million (as restated)	2010 HK$'million (as restated)	2009 HK$'million (as restated)
RESULTS					
Revenue	**7,758**	11,022	9,470	5,811	3,588
Profit before taxation	**5,781**	6,871	7,686	7,238	3,735
Profit for the year	**4,939**	5,708	6,691	6,689	3,475
Non-controlling interests	**726**	1,890	1,102	804	219
Profit attributable to equity holders of the Company	**4,213**	3,818	5,589	5,885	3,256
ASSETS AND LIABILITIES					
Non-current assets	**83,389**	71,414	71,914	64,733	45,783
Net current assets/(liabilities)	**1,050**	(2,749)	3,462	2,372	(130)
Total assets less current liabilities	**84,439**	68,665	75,376	67,105	45,653
Non-current liabilities	**28,013**	14,983	20,569	17,707	10,016
Non-controlling interests	**7,827**	8,140	11,355	10,329	2,056
Capital and reserves attributable to equity holders of the Company	**48,599**	45,542	43,452	39,069	33,581
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**166.89**	153.26	225.89	239.51	133.86
– Diluted (HK cents)	**166.59**	153.09	225.33	238.90	133.78
Dividend per share (HK cents)	**77.00**	70.00	98.00	103.00	57.00

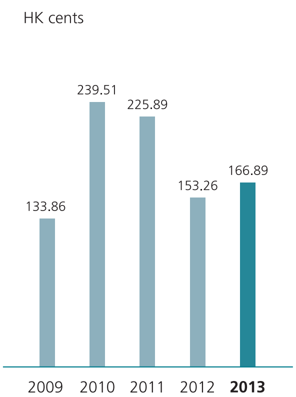
Revenue



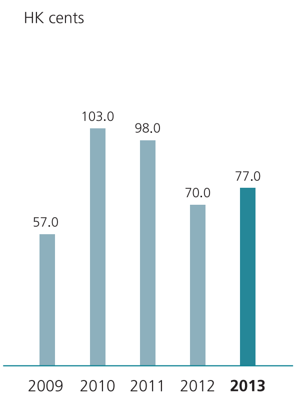
Profit attributable to equity holders of the Company



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 2013.

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 (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 2013, except the following:

Code Provision E.1.2

Due to business trip, Dr. Fu Yuning, the Chairman of the Board, did not attend the annual general meeting of the Company (the "**AGM**") held on 18 June 2013. Mr. Li Jianhong, the Vice Chairman took the chair of the AGM according to the Company's articles of association (the "**Articles**"). In order to ensure effective communication with the shareholders, members of the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor were present at the AGM 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)*	Male	Chinese	57	15
Li Jianhong *(Vice Chairman)*	Male	Chinese	57	3
Li Yinquan	Male	Chinese	59	12
Hu Zheng	Male	Chinese	58	9
Meng Xi	Male	Chinese	58	12
Su Xingang	Male	Chinese	55	6
Yu Liming	Male	Chinese	51	15
Hu Jianhua *(Managing Director)*	Male	Chinese	51	6
Wang Hong	Male	Chinese	51	8
Zheng Shaoping	Male	Chinese	51	2

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Kut Ying Hay	Male	Chinese	59	21
Lee Yip Wah Peter	Male	Chinese	72	12
Li Kwok Heem John	Male	Chinese	58	9
Li Ka Fai David	Male	Chinese	59	6
Bong Shu Ying Francis	Male	Chinese	72	3

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, four 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 2013	Attendance rate
Fu Yuning	4/4	100%
Li Jianhong	4/4	100%
Li Yinquan	4/4	100%
Hu Zheng	3/4	75%
Meng Xi	4/4	100%
Su Xingang	3/4	75%
Yu Liming	3/4	75%
Hu Jianhua	4/4	100%
Wang Hong	4/4	100%
Zheng Shaoping	4/4	100%
Kut Ying Hay	3/4	75%
Lee Yip Wah Peter	4/4	100%
Li Kwok Heem John	4/4	100%
Li Ka Fai David	4/4	100%
Bong Shu Ying Francis	4/4	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
Fu Yuning	A,B,C
Li Jianhong	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. With effect from 26 March 2010, the Chairman of the Company is Dr. Fu Yuning and the Managing Director of the Company is Mr. Hu Jianhua.

Appointment and re-election of Directors

According to Article 91 of 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 91 of the Articles.

According to Article 97 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.

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 2013. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2013	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	2/2	100%
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors according to the independence requirements set out in Rule 3.13 of the Listing Rules and made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors after considering their qualifications, management expertise and experience in relevant industries.

A Board Diversity policy has been reviewed and recommended by the Nomination Committee and subsequently adopted by the Board on 29 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. Since the adoption of the Board Diversity Policy on 29 August 2013, there has not been any change in the composition of the Board. Pursuant to the Articles, Mr. Zheng Shaoping, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. 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 2013. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2013	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	1/1	100%
Bong Shu Ying Francis	1/1	100%

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

The Company has adopted a new share option scheme on 9 December 2011 in place of the previous share option scheme which was terminated on the same day, which serves as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme are set out on pages 55 to 58 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 2013, 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 page 73.

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 2013. 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 2013	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 2013, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2012 and for the six months ended 30 June 2013;

(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 2012;

(v) reviewed and recommended for approval by the Board the 2013 audit scope and fees;

(vi) reviewed the connected transactions entered into by the Group during 2012; 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)	10
Total	20

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 the Investment Management Business Department are responsible for the Group's investment exposure analysis at home and abroad, and for monitoring the level of investment exposures faced by the Group. A set of processing procedures for examination and approval is implemented by our headquarter on the acquisitions and disposals of assets by the operating units under the Group;

- Systems and procedures are also in place to identify, measure, manage and control risks including reputation, legal, strategic, credit, 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 the Business Development Department and Board of Directors and Legal Department. Exposure to risks of the Group's credit, guarantee, taxation and use of funds is monitored by the Group's officer in charge of financial management together with the Finance Department and the operating 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 the Commercial and Strategic Planning Department, Information Technology Department, Production Safety Management Department and the operating units. Exposure to risks of the Group's project construction, equipment and bulk materials procurement is monitored by the Group's officer in charge of project management together with the Engineering Management 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 reports (including management letter) submitted by the external auditor to the Group's management in connection with the annual audit and internal audit reports submitted by the person in charge of the Group's Internal Audit Department, with the scope of work covering all important controls regarding finance, operation and compliance.

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 Group's Internal Audit Department conducts independent reviews of risks associated with and controls over various operations and activities. Significant findings on internal controls 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.

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 extraordinary general meeting held on 21 February 2013 and the 2013 annual general meeting held on 18 June 2013, the Chairman of the meetings demanded that all resolutions proposed at the meetings to be passed by poll. The procedures for conducting a poll were explained at the meetings. 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 meetings held in 2013 is set out as follows:

Name of Director	Number of general meetings attended in 2013
Fu Yuning	0/2
Li Jianhong	2/2
Li Yinquan	2/2
Hu Zheng	1/2
Meng Xi	0/2
Su Xingang	2/2
Yu Liming	2/2
Hu Jianhua	2/2
Wang Hong	1/2
Zheng Shaoping	2/2
Kut Ying Hay	1/2
Lee Yip Wah Peter	2/2
Li Kwok Heem John	1/2
Li Ka Fai David	2/2
Bong Shu Ying Francis	2/2

The new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**New Companies Ordinance**") came into force on 3 March 2014. Effective from 3 March 2014, pursuant to sections 566 to 568 of the New 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 New 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, which were before the time limits as laid down in the Listing Rules.

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 2014 annual general meeting of the Company will be held at 9:30 a.m. on Friday, 23 May 2014 at JW Marriot Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

Directors and Senior Management

Directors

Dr. Fu Yuning

aged 57, is the Chairman of the Company and the Chairman of China Merchants Group Limited. He graduated from Dalian Institute of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. He also obtained a Doctorate Degree in Offshore Engineering from Brunel University, United Kingdom and worked as a Post-Doctorate research fellow. He is a Non-executive Director and the Chairman of China Merchants Bank Co., Ltd (a company listed in both Shanghai and Hong Kong), an Independent Non-executive Director and a member of audit committee and nomination committee of Li & Fung Limited (a company listed in Hong Kong). He was an Independent Non-executive Director of Sino Land Company Limited (a company listed in Hong Kong), an Independent Non-executive Director of Integrated Distribution Services Group Limited (a company listed in Hong Kong prior to its withdrawal of listing on 1 November 2010), the Chairman of China Merchants Energy Shipping Company Limited (a company listed in Shanghai), the Chairman of China International Marine Containers (Group) Co., Ltd. (a company listed in Shenzhen) and an Independent Non-executive Director of CapitaLand Limited (a company listed in Singapore). He has been appointed to the Board of Directors since 8 January 1999 and appointed as the Chairman of the Company since 1 February 2000. He was the Managing Director of the Company for the period from 31 May 2005 to 25 March 2010.

Mr. Li Jianhong

aged 57, is the Vice Chairman of the Company and a Director and the President 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. He was 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. He was also a Director of China COSCO Holdings Co., Ltd., COSCO Pacific Limited and COSCO International Holdings Limited, shares of all of which are listed on The Stock Exchange of Hong Kong Limited. Besides, he was also Vice Chairman and Chairman of China International Marine Containers (Group) Limited, shares of which are listed on the Shenzhen Stock Exchange. He was also an Executive Vice Chairman of the Chinese Society of Naval Architects and Marine Engineers and Vice President of China Association of the National Shipbuilding Industry and was awarded as an outstanding entrepreneur for the third year in 1993, a paragon of transportation and labour section in 1994 and 1995 respectively in China. Mr. Li is the Chairman of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange and China International Marine Containers (Group) Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He was appointed to the Board of Directors as Executive Director on 14 October 2010.

Mr. Li Yinquan

aged 59, is the Vice President of China Merchants Group Limited and the Chairman of China Merchants Finance Holdings Company Limited. He graduated from the Shaanxi Institute of Finance and Economics with a Bachelor of Economics, and holds a Master in Economics from The People's Bank of China Graduate School in Beijing. He also holds a Master in Banking and Finance from the Finafrica Institute in Milan, Italy. Prior to joining China Merchants Group Limited in 2000, he worked in the Agricultural Bank of China from 1985 to 1999 where his last position was Deputy General Manager of Hong Kong branch. He is currently an Executive Director and the Chairman of China Merchants China Direct Investments Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited and 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. He is a Hong Kong Deputy to the 12th National People's Congress of the People's Republic of China. He was appointed to the Board of Directors as Executive Director on 20 June 2001.

Mr. Hu Zheng

aged 58, is the Vice President of China Merchants Group Limited, concurrently serving as Chairman of China Merchants Logistics Holding Co., Ltd., Officer of Management Committee of Zhangzhou China Merchants Economic and Technological Development Zone, Chairman of China Merchants Zhangzhou Development Zone Co., Ltd. and Chairman of Board of Trustees of China Merchants Charitable Foundation. Moreover, he is Vice Chairman of The Hong Kong Chinese Enterprises Association, China Association of Purchasing and Logistics and China Association of Communications Enterprises Management. He obtained a Master Degree in Business Administration from Murdoch University, Australia and holds a professional title of "Senior

Economist". Mr. Hu successively served as the Secretary of the General Office of the Ministry of Communications, Secretary of the board of directors, General Manager of the Executive Department, Assistant President and General Legal Counsel of China Merchants Group Limited, and No. 1 Deputy General Manager of China Merchants Shekou Industrial Zone Company Limited. He was appointed to the Board of Directors as Executive Director on 29 June 2004.

Mr. Meng Xi

aged 58, is the Vice President of China Merchants Group Limited. He graduated from the Beijing Construction Engineering College and was awarded "Senior Engineer" in the PRC. He joined China Merchants Group Limited in 1983 and was formerly the Deputy General Manager of China Merchants Shekou Industrial Zone Company Limited, Deputy General Manager of Enterprises and Projects Division, General Manager of Management Information Division, General Manager of Strategic Planning Department of China Merchants Group Limited. Mr. Meng has extensive experience in the field of management of enterprises, strategic investment, management information system and strategic planning. He was appointed to the Board of Directors as Executive Director on 20 June 2001.

Mr. Su Xingang

aged 55, is the Vice President of China Merchants Group 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 a Director 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, a Director and the Vice Chairman of Shanghai International Port (Group) Company Limited, shares of which are listed on the Shanghai Stock Exchange, and a Director of Ningbo Port 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 51, is the 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 51, is the Assistant President of China Merchants Group and the Managing Director of the Company. 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 51, is the Chief Economist and the General Manager of Strategic Planning Department of China Merchants Group Limited. He is also a Director of China International Marine Containers (Group) Co., Ltd., shares of which are listed on Shenzhen Stock Exchange, a Director of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange and a Director of China Merchants Property Development Company Limited, shares of which are listed on the Shenzhen Stock Exchange. He graduated from Dalian Maritime University in the PRC in Marine Engineering in 1982, as a holder of Master of Business Administration of Graduate School of Beijing University of Science and Technology, and a holder of PhD of Management of 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. 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 51, 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 59, 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, 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 58, 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 59, 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, and an Independent Non-executive Director, member of audit committee and member of remuneration committee of AVIC International Holding (HK) Limited, shares of the above five companies are listed on The Stock Exchange of Hong Kong Limited. He retired as an Independent Director and Chairman of audit committee of China Vanke Co., Ltd. (2005-2011), a company listed on the Shenzhen Stock Exchange, and retired as an advisor of that Company on 30 March 2013. He was appointed to the Board of Directors as Independent Non-executive Director on 1 June 2007.

Mr. Bong Shu Ying Francis

aged 72, OBE, JP, is a 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 is a Past President of Hong Kong Academy of Engineering Sciences and Chairman of the Hong Kong University Engineering Advisory Committee. He is a Past President of the Hong Kong Institution of Engineers, 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 retired as a Director of AECOM Technology Corporation, a company listed on the New York Stock Exchange, on 5 March 2014. He was appointed to the Board of Directors as Independent Non-executive Director on 14 July 2010.

Senior management

Mr. Liu Yunshu

aged 49, 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.

Ms. Wong Sin Yue Cynthia

aged 62, joined the Company in 2004 and is a Deputy General Manager of the Company, responsible for finance. Prior to joining the Company, she took various senior positions at reputable international investment banks including Société Générale, Deutsche Morgan Grenfell, Samuel Montague and Bear Stearns Asia for over 15 years, during which period she had advised more than 50 companies in Greater China and Asia in their equity, equity finance or equity-related activities. She was, until February 2009, a Non-executive Director of China Merchants Holdings (Pacific) Limited, the shares of which are listed on the Singapore Exchange Limited. She holds a Master of Business Administration Degree from the University of East Asia in Macau. She is also an Independent Non-executive Director of China Gas Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Zhang Rizhong

aged 45, joined the Company in 2005 and is the Deputy General Manager and the Financial Controller of the Company, responsible for accounting, finance and internal control and audit. 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 22 years in Finance and Accounting area, 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. Deng Weidong

aged 46, joined the Company in July 2009 and is the Deputy General Manager of the Company. He graduated from Nanjing University with a PhD of Physical Geography in 1994. He obtained a Master Degree of Marine Management from Dalhousie University, Canada in 2002. He has vast experience in port management and port operation. Prior to joining the Company, he worked in Administration Bureau of Hainan Yangpu Economic Development Zone, and he was the General Manager of Business Development Department of China Nanshan Development (Group) Inc. and the Deputy General Manager of Chiwan Container Terminal Co., Ltd.

Mr. Wang Zhixian

aged 49, 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.

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 2013.

Principal activities and geographical analysis of operations

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 42 to 44 to the 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 75.

The Board had declared an interim dividend of 22 HK cents per share, totalling HK$555 million, which was paid on 28 November 2013.

The Directors have resolved to recommend the payment of a final scrip dividend of 55 HK cents per share, totalling HK$1,390 million for the year ended 31 December 2013 by way of an issue of new shares with an alternative to the shareholders to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2012: scrip dividend of 48 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 4 July 2014 to the shareholders whose names appear on the register of members of the Company on 29 May 2014 (the "**Scrip Dividend Scheme**").

Subject to the approval by shareholders at the 2014 Annual General Meeting, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 31 May 2014. 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 4 July 2014.

Charitable donations

HK$3 million donation was made by the Group during the year (2012: HK$0.20 million).

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in note 30 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 2013 amounted to HK$3,579 million (2012: HK$3,239 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 30.

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 2013 and up to the date of this report were:

Executive Directors:

Dr. Fu Yuning *(Chairman)*
Mr. Li Jianhong *(Vice Chairman)*
Mr. Li Yinquan
Mr. Hu Zheng
Mr. Meng Xi
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 91 of the Articles, Mr. Zheng Shaoping, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David will retire from the Board at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election.

Ten of the Executive Directors have entered into appointment letters with the Company for a term of three years commencing on 29 March 2012, three of the Independent Non-executive Directors have been appointed for a term of three years commencing on 22 March 2014 and two Independent Non-executive Directors have been appointed for a term of three years commencing on 1 June 2013 and 14 July 2013 respectively. In addition, 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 2013, 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 (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 share capital as at 31 December 2013
Dr. Fu Yuning	Beneficial owner	Personal interest	604,522	400,000	**0.0398%**
Mr. Li Yinquan	Beneficial owner	Personal interest	—	400,000	**0.0158%**
Mr. Hu Zheng	Beneficial owner	Personal interest	—	414,000	**0.0164%**
Mr. Meng Xi	Beneficial owner	Personal interest	—	200,000	**0.0079%**
Mr. Su Xingang	Beneficial owner	Personal interest	—	350,000	**0.0139%**
Mr. Yu Liming	Beneficial owner	Personal interest	397,645	500,000	**0.0355%**
Mr. Wang Hong	Beneficial owner	Personal interest	529,277	150,000	**0.0269%**
Mr. Zheng Shaoping	Beneficial owner	Personal interest	—	300,000	**0.0119%**
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	164,902	—	**0.0065%**
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,617,296	—	**0.0640%**
			3,313,642	2,714,000	**0.2386%**

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2013, 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 current 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 Person.

(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 2014, the total number of shares which may be issued pursuant to the exercise of options granted under the Terminated Schemes was 22,147,000 shares.

As at 31 March 2014, the total number of shares available for issue under the Terminated Schemes and the Share Option Scheme was 269,588,123 shares, which represented approximately 10.67% of the total issued share capital of the Company as at the same date.

Details of the share options outstanding at 31 December 2013 which have been granted under the Terminated Schemes are as follows:

Name		Date of grant	Exercise price HK$	Options held as at 1 January 2013	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 2013
Directors										
Dr. Fu Yuning		25 May 2006	23.03	400,000	—	—	—	—	—	400,000
Mr. Li Yinquan		25 May 2006	23.03	400,000	—	—	—	—	—	400,000
Mr. Hu Zheng		27 October 2004	11.08	300,000	—	(286,000)	—	—	—	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
				3,000,000	—	(286,000)	—	—	—	2,714,000
Continuous contract employees										
(I)	The Group	27 October 2004	11.08	750,000	—	(250,000)	—	—	—	500,000
		25 May 2006	23.03	11,723,000	—	(376,000)	—	—	—	11,347,000
		21 June 2006	20.91	150,000	—	—	—	—	—	150,000
(II)	The CMHK	27 October 2004	11.08	1,000,000	—	(960,000)	—	—	—	40,000
	Group	25 May 2006	23.03	9,374,000	—	(1,664,000)	—	—	—	7,710,000
				22,997,000	—	(3,250,000)	—	—	—	19,747,000
				25,997,000	—	(3,536,000)	—	—	—	22,461,000

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$28.207.
3. No share options were granted under the Terminated Schemes and the Share Option Scheme during the year.

Substantial shareholders

As at 31 December 2013, 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	Ordinary Shares held	Percentage of total issued Shares
China Merchants Group Limited	Interest of Controlled Corporation	1,392,242,072[1,2,3]	55.10%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,389,242,072[2]	54.98%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,389,242,072[2]	54.98%
China Merchants Union (BVI) Limited	Beneficial Owner	572,652,008[2,4]	22.66%
China Merchants Investment Development Company Limited	Beneficial Owner	596,165,519[2]	23.59%
Hoi Tung Marine Machinery Suppliers Limited	Interest of Controlled Corporation	202,800,480[2]	8.03%
Hoi Tung Investment (Yantai) Limited	Beneficial Owner	202,800,480[2]	8.03%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	572,652,008[4]	22.66%
Compass Investment Company Limited	Interest of Controlled Corporation	572,652,008[4]	22.66%
GUOXIN International Investment Corporation Limited	Interest of Controlled Corporation	572,652,008[4]	22.66%
Verise Holdings Company Limited	Interest of Controlled Corporation	572,652,008[4]	22.66%

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 1,392,242,072 shares, which represents the aggregate of 1,389,242,072 shares deemed to be interested by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,000,000 shares deemed to be interested by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).

2. China Merchants Holdings (Hong Kong) Company Limited 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 China Merchants Holdings (Hong Kong) Company Limited and China Merchants Union (BVI) Limited is 50%-owned by China Merchants Holdings (Hong Kong) Company Limited.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,389,242,072 shares which are deemed to be interested by China Merchants Holdings (Hong Kong) Company Limited. Such shares represent the aggregate of 572,652,008 shares beneficially held by China Merchants Union (BVI) Limited, 596,165,519 shares beneficially held by China Merchants Investment Development Company Limited, 202,800,480 shares deemed to be interested by Hoi Tung Marine Machinery Suppliers Limited and 17,624,065 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 202,800,480 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 17,624,065 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 3,000,000 shares which are deemed to be interested by Top Chief Company Limited. Such shares represent the 3,000,000 shares beneficially held by Orienture Holdings Company Limited.

4. The remaining 50% interest in China Merchants Union (BVI) Limited 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 572,652,008 shares beneficially held by China Merchants Union (BVI) Limited.

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 2013, 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 25 March 2013, China Merchants Zhangzhou Economic Development Zone Co., Ltd. ("**China Merchants Zhangzhou**") and Xia Men Bay China Merchants Terminals Co., Ltd. ("**Zhangzhou Xiamen Bay**"), an indirect 60%-owned subsidiary of the Company, entered into a land use rights transfer agreement (the "**Land Use Rights Transfer Agreement**"). Pursuant to the Land Use Rights Transfer Agreement, China Merchants Zhangzhou agreed to sell and Zhangzhou Xiamen Bay agreed to purchase the land use rights in respect of a parcel of land situated at the Fourth District of the Zhangzhou Economic Development Zone located in Fujian, the PRC, with a total site area of 299,232.859 square meters (including the sea use rights with a site area of 172,831.724 square meters) (the "**Zhangzhou Acquisition**"). The parcel of land is designated for port purpose. The consideration for the Zhangzhou Acquisition is RMB450 per square meter, representing a total consideration of RMB134,654,787. As the Zhangzhou Economic Development Zone has been an important strategic area for the provision of port-related and logistics services and operations of the Group, the Directors are of the view that the Zhangzhou Acquisition is in line with the Group's strategy to further strengthen its port operations in the Zhangzhou Economic Development Zone. As China Merchants Zhangzhou is an indirect subsidiary of China Merchants Group Limited ("**CMG**"), the ultimate holding company of the Company, China Merchants Zhangzhou is a connected person of the Company and the transaction contemplated under the Land Use Rights Transfer Agreement constitutes a connected transaction of the Company.

(b) On 23 July 2013, China Merchants Shekou Industrial Zone Company Limited ("**CMSIZ**") and Antongjie Port and Warehouse Services (Shenzhen) Company Limited ("**Antongjie**"), an indirect wholly-owned subsidiary of the Company, entered into a land use rights confirmation contract (the "**Land Use Rights Confirmation Contract**"). Pursuant to the Land Use Rights Confirmation Contract, CMSIZ agreed to sell and Antongjie agreed to purchase the land use rights in respect of a parcel of land situated at Mawan Road West, Shenzhen Qianhaiwan Logistics Park, Nanshan District, Shenzhen, the PRC with a total site area of 13,108.93 square metres (the "**Antongjie Acquisition**"). The parcel of land is designated for the development of port, logistics and related use. The consideration for the Antongjie Acquisition is RMB758.33 per square meter, representing a total consideration of RMB9,940,895. As the Shenzhen Qianhaiwan Logistics Park has been an important strategic area for the provision of logistics services and operations of the Group and the Group has been leasing certain parcels of land situated at Shenzhen Qianhaiwan Logistics Park for its logistics operations and has also been granted the right to operate the Qianhai Port at Shenzhen Qianhaiwan Logistics Park, the Directors are of the view that the Antongjie Acquisition is in line with the Group's strategy to expand its port and port-related business. As CMSIZ is an indirect subsidiary of CMG, the ultimate holding company of the Company, CMSIZ is a connected person of the Company and the transaction contemplated under the Land Use Rights Confirmation Contract constitutes a connected transaction of the Company.

(c) Details of the continuing connected transactions of the Group for the year ended 31 December 2013 are set out below:

Name of party	Nature of transaction	Note	Income/(expenses) HK$' million
China Merchants Shekou Industrial Zone Property Company Limited ("**CMSIZ1**")	Rental of a piece of land in Shekou charged to the Group	(i)	(6.5)*
CMSIZ	Rental of a piece of land in Shekou charged to the Group	(ii)	(2.4)*
CMHK Hong Kong Ming Wah Shipping Company Limited ("**Ming Wah**")	Rental of certain properties in Hong Kong charged by the Group	(iii)	39.9
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 22 parcels of land in Shekou and certain property assets charged to the Group	(vi)	(49.0)*
CMSIZ	Rental of four parcels of land in Shekou charged to the Group	(vii)	(3.3)*
Euroasia Dockyard Enterprise and Development Limited ("**Euroasia**")	Rental of a piece of land at Tsing Yi Terminal charged to the Group	(viii)	(13.1)
China Merchants Property Investment Company ("**SCMPI**")	Rental of two floors of Shekou Industrial Park Building charged to the Group	(ix)	(2.7)*
CMHK	Rental of 15 residential units in Hong Kong charged to the Group	(x)	(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	(xi)	(7.2)*
CMLHF	Rental of a parcel of land in the Zhangzhou Economic Development Zone charged to the Group	(xii)	(0.5)*
SCMPI	Rental of a unit at Shenzhen Shipping Centre Main Tower charged to the Group	(xiii)	(0.4)*
Shenzhen Nanyou	Rental of properties at the Ocean Centre in Shenzhen charged by the Group	(xiv)	2.6*
CMLHF	Rental of two warehouses and a depot in the Zhangzhou Economic Development Zone charged to the Group	(xv)	(6.9)*
SCMPI	Rental of 14 units at Times Plaza in Shekou charged to the Group	(xvi)	(3.2)*
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	(xvii)	(0.8)*

Name of party	Nature of transaction	Note	Income/(expenses) HK$' million
China Merchants Logistics Holding Co. Ltd. ("**CMLH**")	Provision of information technology services charged to the Group	(xviii)	(4.3)*
Shenzhen China Merchants Technology Holdings Co., Ltd. ("**SCMT**")	Rental of a unit at Xing Xing Industrial Building in Shekou charged to the Group	(xix)	(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	(xx)	(0.1)*
SCMPI	Rental of a unit at Technology Building II in Shekou charged to the Group	(xxi)	N/A
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	(xxii)	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. The total annual rental payable for the year ended 31 December 2013 was HK$6,500,000. 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 14 December 2010, CMI Cold Chain and CMSIZ entered into a supplemental agreement to the lease agreement, pursuant to which the rental payable was adjusted to RMB95 per square meter per annum. After the adjustment, the total annual rental payable by CMI Cold Chain is RMB1,903,883.60 for the period from 1 January 2011 to 31 December 2013. In view of the expiry of the existing supplemental agreement to the lease agreement 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 transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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, each of them is a wholly-owned subsidiary of CMG. 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. The aggregate amount of rental receivable under the three tenancy renewal agreements for the year ended 31 December 2013 is HK$39,885,120. In view of the expiry of the existing 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 annual rental receivable of HK$45,867,888. 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 14 December 2010, 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 three years commencing on 1 January 2011 at a rental of RMB78 per square meter per annum. The total annual rental payable by CMBL under the lease agreement is RMB1,429,918.80 for the period from 1 January 2011 to 31 December 2013. In view of the expiry of the existing lease agreement on 31 December 2013, CMBL and Shenzhen Nanyou entered into a new lease agreement on 23 December 2013 to renew the lease of the piece of land in Shenzhen Qianhaiwan Logistics Park 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 under the new lease agreement remains at RMB78 per square meter per annum. If CMBL and Shenzhen Nanyou are unable to agree on a lower rental when the new lease agreement expires on 30 June 2014, CMBL will continue to lease the piece of land from Shenzhen Nanyou on the same rental and terms as set out in the new lease agreement. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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 30 November 2011, CMBL entered into a lease agreement with CMSIZ to renew the lease of a piece of land in Shenzhen Qianhaiwan Logistics Park, Nanshan District, Shenzhen, with a total area of 121,330.70 square meters, for a term of two years commencing on 1 January 2012 at a rental of RMB48 per square meter per annum with an aggregate rental of RMB5,823,873.60 per annum. In view of the expiry of the existing lease agreement on 31 December 2013, CMBL and CMSIZ entered into a new lease agreement on 23 December 2013 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 under the new lease agreement remains at RMB5,823,873.60, representing a rental of RMB48 per square meter per annum. 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) On 30 November 2011, China Merchants Port Services (Shenzhen) Company Limited ("**SCMPS**") entered into seven lease agreements with CMSIZ, pursuant to which SCMPS agreed to lease 22 parcels of land in the Shekou Industrial Park and certain property assets from CMSIZ for a term of two years commencing on 1 January 2012 for a total rental of RMB39,470,551.30 for the year ended 31 December 2012 and not exceeding RMB51,170,721.78 for the year ended 31 December 2013. In view of the expiry of the seven existing lease agreement on 31 December 2013, SCMPS and CMSIZ entered into seven new lease agreements on 23 December 2013 to continue to lease in aggregate 22 parcels of land in Shekou Industrial Park for a term of two years commencing on 1 January 2014 and ending on 31 December 2015. The maximum annual total rental payable by SCMPS to CMSIZ under the new lease agreements is approximately RMB52,066,600. 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) On 30 October 2012, SCMPS entered into four lease agreements with CMSIZ to lease four parcels of land in the Shekou Industrial Park with a total area of 34,888.52 square meters for a term of one year commencing on 1 January 2013 for a total rental of RMB2,616,639. In view of the expiry of the four existing lease agreements on 31 December 2013, SCMPS and CMSIZ entered into four new lease agreements on 23 December 2013 to continue to lease the four parcels of land in Shekou Industrial Park for a term of two years commencing on 1 January 2014 and ending on 31 December 2015. The annual total rental payable by SCMPS to CMSIZ under the new lease agreements remains at RMB2,616,639. The transactions contemplated under the lease agreements constitute de minimis continuing connected transactions pursuant to Rule 14A.33(3) of the Listing Rules. 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, in particular, in providing warehouse services. CMSIZ is an indirect wholly-owned subsidiary of CMG. Accordingly, CMSIZ is a connected person of the Company.

(viii) China Merchants Container Services Limited ("**CMCS**"), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Euroasia on 30 November 2011 to renew the lease of a piece of land in Tsing Yi from Euroasia with a total area of 679,704 square meters for a term of two years commencing on 1 January 2012 and at a rental of HK$13,050,312 per annum. In view of the expiry of the existing cooperation agreement on 31 December 2013, CMCS 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 remains at HK$13,050,312. 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.

(ix) 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.33(3) 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.

(x) On 30 October 2012, the Company entered into a new 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. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xi) 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 RMB900,000 for the two months ended 31 December 2012, RMB6,800,000 for the year ended 31 December 2013, RMB7,130,000 for the year ending 31 December 2014 and RMB6,300,000 for the ten months ending 31 October 2015. The amount payable for the year ended 31 December 2013, based on the actual area occupied by ZCMP, was RMB5,732,000. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xii) 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 total annual rental payable by ZCMP to CMLHF under the lease agreement is RMB378,000 for the two months ended 31 December 2012, RMB2,268,000 for each of the years ended 31 December 2013 and 31 December 2014 and RMB1,890,000 for the ten months ending 31 October 2015. The amount payable for the year ended 31 December 2013, based on the actual area occupied by ZCMP, was RMB357,000. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xiii) 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. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xiv) On 28 September 2012, Shenzhen Malai Storage Company Limited ("**SZW**"), an indirect wholly-owned subsidiary of the Company, acquired the entire property interest in the Immigration Building and the related car parking spaces of Ocean Centre from Shenzhen China Merchants Venture Co., Ltd ("**CMV**"). SZW received the real estate certificate evidencing its ownership of such property interest issued by the relevant land and resources bureau of the PRC on 7 February 2013 and completion of the acquisition of the property interest took place on the same day. In connection with the acquisition of the property interest, SZW also assumed CMV's rights and obligations in an existing tenancy agreement previously entered into between CMV and Shenzhen Nanyou, pursuant to which CMV 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 commencing on 1 September 2012. The monthly rental received under the existing tenancy agreement is RMB71.86 per square meter and the total rental received for the four months ended 31 December 2012 is RMB670,853.34 and the eight months ended 31 August 2013 is RMB1,341,706.68. On 2 September 2013, in view of the expiry of the existing tenancy agreement, SZW entered into a new tenancy agreement with Shenzhen Nanyou to renew the lease of the properties at Ocean Centre 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. The transaction contemplated under the new tenancy agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xv) 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 RMB6,450,000 for the ten months ended 31 December 2013, RMB7,933,500 for the year ending 31 December 2014, RMB8,168,200 for the year ending 31 December 2015 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 amount payable for the year ended 31 December 2013, based on the actual area occupied by ZCMP, was RMB5,453,000. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xvi) 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, except that no rental is payable from 1 April 2013 to 14 April 2013 due to renovation of the units. 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 agreement is RMB2,530,105.53 for the nine months ended 31 December 2013 and RMB851,169 for the three months ended 31 March 2014. The transaction contemplated under the office lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xvii) 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 RMB642,535 for the nine months and 17 days ended 31 December 2013 and RMB202,906 for the three months ended 31 March 2014. The transaction contemplated under the management service agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xviii) 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 RMB3,375,000 for the nine months ended 31 December 2013, RMB4,837,500 for the year ending 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. Based on the above, the aggregate fees payable under the information technology services agreement for the nine months ended 31 December 2013 is RMB3,375,000. 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.

(xix) 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 RMB347,165 for the five months ended 31 December 2013, 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.33(3) 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.

(xx) On 20 June 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 the period from 13 June 2013 to 31 December 2013. Under the management service agreement, a monthly management fee of RMB11 per square meter and a monthly maintenance fee of RMB0.25 per square meter are payable by SHESM to SCMPM. The aggregate amount of management fee payable under the management service agreement is RMB99,415 for the six months and 18 days ended 31 December 2013. In view of the expiry of the management service agreement on 31 December 2013, SHESM and SCMPM entered into a new management service agreement on 23 December 2013 to renew the provision of management services by SCMPM in respect of the unit leased from SCMT to SHESM for a term of one year from 1 January 2014 to 31 December 2014. Under the new management service agreement, the monthly management service fee remains at RMB11 per square meter and the monthly maintenance fee remains at RMB0.25 per square meter. The aggregate amount of management service fee payable under the new management service agreement is RMB166,638.12 for the year ending 31 December 2014. The transaction contemplated under the management service agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) 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.

(xxi) On 23 December 2013, CMHIT, an indirect subsidiary of the Company in which the Company holds a 76.84% interest, entered into a new 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 ending 31 December 2014, RMB2,124,840 for the year ending 31 December 2015 and RMB354,140 for the two months ending 28 February 2016. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules. The Directors are of the view that the leasing of the unit under the office lease agreement from SCMPI 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.

(xxii) 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 ending 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.33(3) 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.

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

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

(ii) on normal commercial terms; and

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

The Independent Non-executive Directors further opined that:

(i) in respect of the lease by CMSIZ1 to SCT1, details of which are set out in note (i) to paragraph (c) of this section, the aggregate rental has not exceeded HK$6,500,000, the annual cap for the year ended 31 December 2013;

(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 (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(iii) in respect of the lease by Universal Sheen to CMHK and Ming Wah of certain properties in Hong Kong, details of which are set out in note (iii) to paragraph (c) of this section, the aggregate rental received for the year ended 31 December 2013 based on the tenancy renewal agreements has not exceeded the annual cap of HK$39,885,120;

(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 (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(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 (c) of this section, the aggregate rental has not exceeded RMB5,900,000, the annual cap for the year ended 31 December 2013;

(vi) in respect of the leases by CMSIZ to SCMPS of 22 parcels of land in Shekou and certain property assets under the seven lease agreements entered into on 30 November 2011, details of which are set out in note (vi) to paragraph (c) of this section, the aggregate rental has not exceeded RMB51,900,000, the annual cap for the year ended 31 December 2013;

(vii) in respect of the leases by CMSIZ to SCMPS of four parcels of land in Shekou under the four lease agreements entered into on 30 October 2012, details of which are set out in note (vii) to paragraph (c) of this section, the transactions contemplated under the four lease agreements constitute de minimis continuing connected transactions pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for these four agreements for the year ended 31 December 2013;

(viii) 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 (viii) to paragraph (c) of this section, the aggregate rental has not exceeded HK$13,100,000, the annual cap for the year ended 31 December 2013;

(ix) 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 (ix) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(x) 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 (x) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(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 (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xii) 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 (xii) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xiii) 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 (xiii) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xiv) 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 (xiv) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xv) 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 (xv) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xvi) 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 (xvi) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xvii) 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 (xvii) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xviii) in respect of the provision of information technology services by CMLH to CMAH, details of which are set out in note (xviii) to paragraph (c) of this section, the aggregate fees has not exceeded RMB10,525,000, the annual cap for the year ended 31 December 2013;

(xix) 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 (xix) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xx) 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 (xx) to paragraph (c) of this section, the transaction constitutes a de minimis continuing connected transaction pursuant to Rule 14A.33(3) of the Listing Rules and therefore no annual cap has been set for the year ended 31 December 2013;

(xxi) 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 (xxi) to paragraph (c) of this section, the lease agreement will commence on 1 March 2014 and there was no rental paid by CMHIT to SCMPI for the year ended 31 December 2013; and

(xxii) 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 (xxii) to paragraph (c) of this section, the management service agreement will commence on 1 March 2014 and there was no management service fee paid by CMHIT to SCMPM for the year ended 31 December 2013.

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 page 60 to 67 of the Annual Report in accordance with Rule 14A.38 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 2013, respectively.

At no time during the year had the Directors, their associates or any shareholder (whom to the knowledge of the Directors own(s) more than 5% of the Company's share capital) 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
Fu Yuning
Chairman

Hong Kong, 31 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF

CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

(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 75 to 188, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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, 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 section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit 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 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Note	**2013 HK$'million**	2012 HK$'million
Revenue	5	**7,758**	11,022
Cost of sales		**(4,522)**	(6,687)
Gross profit		**3,236**	4,335
Other gains, net	8	**438**	1,787
Other income	8	**176**	250
Distribution costs		**—**	(61)
Administrative expenses		**(860)**	(1,241)
Operating profit		**2,990**	5,070
Finance income	12	**55**	162
Finance costs	12	**(1,073)**	(1,328)
Finance costs, net	12	**(1,018)**	(1,166)
Share of profits less losses of			
Associates		**3,266**	2,754
Joint ventures		**543**	213
		3,809	2,967
Profit before taxation		**5,781**	6,871
Taxation	13	**(842)**	(1,163)
Profit for the year	7	**4,939**	5,708
Attributable to:			
Equity holders of the Company		**4,213**	3,818
Non-controlling interests		**726**	1,890
Profit for the year		**4,939**	5,708
Dividends	15	**1,945**	1,744
Earnings per share for profit attributable to equity holders of the Company	14		
Basic (HK cents)		**166.89**	153.26
Diluted (HK cents)		**166.59**	153.09

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Note	**2013 HK$'million**	2012 HK$'million
Profit for the year		**4,939**	5,708
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		**1,350**	166
Increase in fair value of available-for-sale financial assets, net of deferred taxation		**6**	157
Share of investment revaluation reserve of associates		**(197)**	52
Reclassification of reserves upon ceasing to control certain subsidiaries	39	**—**	(170)
Items that will not be reclassified subsequently to profit or loss:			
Share of other reserves of associates and a joint venture		**51**	39
Share of net actuarial gain/(loss) on a defined benefit plan of an associate		**13**	(28)
Total other comprehensive income for the year, net of tax		**1,223**	216
Total comprehensive income for the year		**6,162**	5,924
Total comprehensive income attributable to:			
Equity holders of the Company		**5,224**	3,954
Non-controlling interests		**938**	1,970
		6,162	5,924

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'million	2012 HK$'million
ASSETS			
Non-current assets			
Goodwill	16	**3,318**	3,293
Intangible assets	16	**5,274**	4,796
Property, plant and equipment	17	**19,034**	16,863
Investment properties	18	**1,839**	1,534
Land use rights	19	**7,967**	7,946
Interests in associates	21	**36,213**	28,468
Interests in joint ventures	22	**5,729**	5,172
Other financial assets	23	**2,523**	2,092
Other non-current assets	24	**1,371**	1,130
Deferred tax assets	34	**121**	120
		83,389	71,414
Current assets			
Inventories	25	**94**	89
Other financial assets	23	**558**	369
Debtors, deposits and prepayments	26	**1,627**	1,400
Taxation recoverable		**1**	2
Cash and bank balances	27	**3,205**	4,192
		5,485	6,052
Non-current assets held for sale	28	**317**	—
		5,802	6,052
Total assets		**89,191**	77,466

As at 31 December 2013

	Note	2013 HK$'million	2012 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**253**	249
Reserves		**46,956**	44,097
Proposed dividend	15	**1,390**	1,196
		48,599	45,542
Non-controlling interests		**7,827**	8,140
Total equity		**56,426**	53,682
LIABILITIES			
Non-current liabilities			
Loans from shareholders	31	**10,013**	617
Other financial liabilities	32	**14,528**	11,184
Other non-current liabilities	33	**1,523**	1,489
Deferred tax liabilities	34	**1,949**	1,693
		28,013	14,983
Current liabilities			
Creditors and accruals	35	**2,126**	1,641
Loans from shareholders	31	**78**	986
Other financial liabilities	32	**2,339**	6,035
Taxation payable		**209**	139
		4,752	8,801
Total liabilities		**32,765**	23,784
Total equity and liabilities		**89,191**	77,466
Net current assets/(liabilities)		**1,050**	(2,749)
Total assets less current liabilities		**84,439**	68,665

The consolidated financial statements on pages 75 to 188 were approved and authorised for issue by the Board of Directors on 31 March 2014 and are signed on its behalf by:

Dr. Fu Yuning
DIRECTOR

Mr. Hu Jianhua
DIRECTOR

Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'million	2012 HK$'million
ASSETS			
Non-current assets			
Property, plant and equipment	17	**2**	3
Interests in subsidiaries	20(d)	**33,818**	31,740
		33,820	31,743
Current assets			
Debtors, deposits and prepayments	26	**6**	28
Advances to subsidiaries	20(d)	**1,357**	301
Cash and bank balances	27	**392**	1,327
		1,755	1,656
Total assets		**35,575**	33,399
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**253**	249
Reserves		**21,432**	20,480
Proposed dividend	15	**1,390**	1,196
Total equity		**23,075**	21,925
LIABILITIES			
Non-current liabilities			
Loan from a shareholder		**3,877**	—
Advances from subsidiaries	20(d)	**8,471**	8,456
Other non-current liabilities		**17**	25
		12,365	8,481
Current liabilities			
Advances from subsidiaries	20(d)	**60**	2,374
Creditors and accruals	35	**75**	123
Other financial liabilities	32	**—**	496
		135	2,993
Total liabilities		**12,500**	11,474
Total equity and liabilities		**35,575**	33,399
Net current assets/(liabilities)		**1,620**	(1,337)
Total assets less current liabilities		**35,440**	30,406

Dr. Fu Yuning
DIRECTOR

Mr. Hu Jianhua
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million (note 30(a))	Retained earnings HK$'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(a)	1	63	—	—	64	—	64
Issue of shares in lieu of dividends	29(b)	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

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million (note 30(a))	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2012		247	15,526	7,744	19,935	43,452	11,355	54,807
COMPREHENSIVE INCOME								
Profit for the year		—	—	—	3,818	3,818	1,890	5,708
Other comprehensive income/(expense)								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	—	85	—	85	81	166
Reclassification of reserves upon ceasing to control certain subsidiaries	39	—	—	(176)	6	(170)	—	(170)
Increase/(decrease) in fair value of available-for-sale financial assets, net of deferred taxation		—	—	158	—	158	(1)	157
Share of reserves of associates and a joint venture		—	—	91	—	91	—	91
Share of net actuarial loss on a defined benefit plan of an associate		—	—	—	(28)	(28)	—	(28)
Total other comprehensive income/(expense) for the year, net of tax		—	—	158	(22)	136	80	216
Total comprehensive income for the year		—	—	158	3,796	3,954	1,970	5,924
TRANSACTIONS WITH OWNERS								
Issue of shares on exercise of share options, net of share issue expenses	29(a)	—	19	—	—	19	—	19
Issue of shares in lieu of dividends	29(b)	2	362	—	—	364	—	364
Transfer to reserves		—	—	152	(152)	—	—	—
Acquisition of subsidiaries	38	—	—	—	—	—	1,386	1,386
Acquisition of additional interests in subsidiaries from non-controlling equity holders		—	—	(16)	—	(16)	(38)	(54)
Capital contribution to subsidiaries		—	—	—	—	—	360	360
Ceasing to control certain subsidiaries	39	—	—	—	—	—	(6,335)	(6,335)
Repayment of capital contribution to non-controlling equity holders		—	—	—	—	—	(42)	(42)
Dividends		—	—	—	(2,231)	(2,231)	(516)	(2,747)
Total transactions with owners for the year		2	381	136	(2,383)	(1,864)	(5,185)	(7,049)
As at 31 December 2012		249	15,907	8,038	21,348	45,542	8,140	53,682

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	**2013 HK$'million**	2012 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	36	**3,759**	5,085
Hong Kong Profits Tax paid		**(6)**	(17)
PRC corporate income tax paid		**(405)**	(669)
Withholding tax paid on dividends received		**(194)**	(196)
Dividends received from associates and joint ventures		**2,042**	2,130
Net cash generated from operating activities		**5,196**	6,333
Cash flows from investing activities			
Interest income received		**64**	162
Proceeds from disposal of land use rights, property, plant and equipment		**108**	1,146
Income received from held-to-maturity investments		**—**	22
Repayment of loan from an associate		**—**	470
Purchase of property, plant and equipment, land use rights and port operating rights		**(3,485)**	(3,911)
Acquisition of subsidiaries, net of cash acquired	38	**—**	(1,459)
Ceasing to control certain subsidiaries	39	**—**	(5,790)
Investments in associates and joint ventures		**(5,436)**	(353)
Acquisition of an available-for-sale financial asset		**(418)**	—
Acquisitions of other financial assets		**—**	(3,276)
Proceeds from disposals of other financial assets		**—**	3,454
Loan to an associate		**—**	(180)
Proceeds from disposals of interests in associates		**—**	1,485
Placement of short-term time deposits		**(11)**	(1,386)
Short-term time deposits matured		**1,397**	291
Net cash used in investing activities		**(7,781)**	(9,325)
Net cash outflow before financing activities carried forward		**(2,585)**	(2,992)

	Note	2013 HK$'million	2012 HK$'million
Net cash outflow before financing activities brought forward		**(2,585)**	(2,992)
Cash flows from financing activities			
Net proceeds from exercise of share options		**64**	19
Proceeds from new other financial liabilities		**7,848**	12,233
Net proceeds on issue of notes payable		**1,255**	5,634
Loans from non-controlling equity holders		**98**	73
Loans from shareholders		**8,853**	1,549
Capital contributions from non-controlling equity holders of subsidiaries		**25**	243
Purchase of additional interests in subsidiaries		**(2,268)**	(44)
Dividends paid		**(1,005)**	(1,867)
Dividends paid to non-controlling equity holders of subsidiaries		**(520)**	(803)
Interests paid		**(1,099)**	(1,440)
Repayment of other financial liabilities		**(7,365)**	(13,063)
Repayment of notes payable		**(2,329)**	—
Repayment of loans from shareholders		**(579)**	(3,124)
Repayment of loans from non-controlling equity holders		**—**	(72)
Repayment of capital contribution to non-controlling equity holders		**(61)**	(42)
Net cash generated from/(used in) financing activities		**2,917**	(704)
Increase/(decrease) in cash and cash equivalents		**332**	(3,696)
Cash and cash equivalents at 1 January		**2,806**	6,520
Effect of foreign exchange rate changes		**67**	(18)
Cash and cash equivalents at 31 December	27	**3,205**	2,806

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 2013, 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 43.77% issued share capital of the Company. CMG through its wholly-owned subsidiaries and CMU, pursuant to the right under an entrustment agreements between CMG and CMU, is in control of the voting right represented by 55.10% 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 principal accounting policies of the Group applied in the preparation of these consolidated financial statements are set out below, which are the same as the accounting policies of the Group's reportable segments. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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.

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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

• Amendments to HKFRS 1	Government Loans
• Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
• HKAS 19 (Revised 2011)	Employee Benefits
• HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group

New and revised standards on consolidation, joint arrangements, associates and disclosures

During the year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. The impact of the application of these standards is set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

(i) Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) - Int 12 "Consolidation - Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns not more than 50% of the ownership rights in an investee has control over the investee is relevant to the Group. The directors of the Company made assessments as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over each of the investee. Specifically, for Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan", together with its subsidiaries the "Shenzhen Chiwan Group") and Thesar Maritime Limited ("TML") in which the Group's ownership rights are not more than 50% in accordance with the new definition of control and the related guidance set out in HKFRS 10, the directors concluded that the Group has had control over Shenzhen Chiwan since 2010 and TML since its acquisition by the Group in 2012 under both HKFRS 10 and the previous standard HKAS 27. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in the consolidated financial statements. Details of the assessments are set out as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

(i) Impact of the application of HKFRS 10 (Continued)

Shenzhen Chiwan

On 18 June 2010, the Company and China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), an intermediate holding company, entered into an entrustment agreement ("China Nanshan Entrustment Agreement") pursuant to which CMHK agreed to grant to the Company the management rights and the power to direct the voting right over approximately 23% of the total issued share capital of 中國南山開發(集團)股份有限公司 (China Nanshan Development (Group) Incorporation, being an unofficial English Name) ("China Nanshan"). The China Nanshan Entrustment Agreement took effect on 12 August 2010 upon being approved by the independent shareholders of the Company. Together with the approximately 37% equity interest in China Nanshan then held by the Group, the Group was on the basis of its ability to exercise majority rights at the board of China Nanshan, and China Nanshan and its subsidiaries (together the "Nanshan Group") became subsidiaries of the Group from that date.

On 17 September 2012, the Company and China Nanshan, then still a subsidiary of the Company, entered into an entrustment agreement (the "Chiwan Entrustment Agreement"), pursuant to which China Nanshan granted to the Company the management rights and the power to direct the voting right over approximately 58% equity interest in Shenzhen Chiwan, a joint stock limited company established under the laws of the PRC, whose A shares and B shares are listed on the Shenzhen Stock Exchange, held by China Nanshan. The Chiwan Entrustment Agreement became effective on 1 November 2012 upon the formal approval of the relevant PRC government authority.

Upon the Chiwan Entrustment Agreement became effective, the Group, on its own without exercising its control rights and power over China Nanshan, is entitled to exercise the management rights and has the power to direct the voting right over the interest in Shenzhen Chiwan. Accordingly, the Group, on its own without the equity interests of China Nanshan, is able to exercise majority rights at the board of Shenzhen Chiwan and consolidates Shenzhen Chiwan Group in its consolidated financial statements. The China Nanshan Entrustment Agreement has been terminated on 28 December 2012. Further details are set out as per note 39.

During the year ended 31 December 2013, the Group completed the acquisition of 25% interest in Shenzhen Chiwan from China Nanshan and the Group (excluding those held through China Nanshan and its subsidiary) is then beneficially interested in approximately 34% of Shenzhen Chiwan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

(i) Impact of the application of HKFRS 10 (Continued)

TML

On 29 August 2012, the Group completed the acquisition of 50% of issued share capital in, and assignment of the related shareholders' loans to, TML, whose wholly-owned subsidiary, Lomé Container Terminal S.A. ("LCT"), is granted with a port operating right in Togolese Republic. Pursuant to the relevant shareholders' agreement, the Group and the other shareholder of TML have agreed to form an executive committee ("EC") to manage the relevant financing and operating decisions of TML, and via TML, those of LCT. The Group has a majority voting right in the EC and accordingly the directors of the Company consider that the activities that significantly affect the returns of TML and LCT are determined by the EC and accordingly the Group has the ability to control TML and via TML, LCT, so as to affect return of TML and LCT.

(ii) Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) - Int 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

(ii) Impact of the application of HKFRS 11 (Continued)

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The directors of the Company reviewed and assessed the classification of the Group's investments in the joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in each of the joint arrangements, each of which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group (Continued)

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad. The fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, 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 similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (see note 3 for disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) Revision and amendments to existing standards and interpretation effective in the current year and relevant to the Group (Continued)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two consecutive statements.

In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards, amendments to existing standards and interpretation have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	Note
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures	Note
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities	1 January 2014
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle	1 July 2014, with limited exceptions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle	1 July 2014
HK(IFRIC) - Int 21	Levies	1 January 2014

Note: Available for application - The mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards, amendments to existing standards and interpretation have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards, amendments to existing standards and interpretation have been issued but are not yet effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

The directors anticipate that the adoption of HKFRS 9 in the future may have 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.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

2.2 Consolidation

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

(i) Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

(a) Business combinations (Continued)

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(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.

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 a 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(iii) Associates and joint ventures (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of profit or loss, except for exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets and are regarded as an adjustment to interest costs on those foreign currency borrowings.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(iv) Disposal and partial disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or 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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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 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 gains, net".

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. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 8 to 14 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill and intangible assets (Continued)

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, held-to-maturity 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
- 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, deposit and prepayments") and "cash and bank balances" in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(i) Classification (Continued)

(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.

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 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 “investment 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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;
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Share capital

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 maximum of HK$1,250 ("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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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;
- 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 (nominal value) and share premium.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(ii) Sales of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under current liabilities.

(iii) 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.

(iv) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

(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.

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.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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.

58% (2012: 77%) of the Group's borrowings (including loans from shareholders) as at 31 December 2013 are denominated in Hong Kong dollar and United States dollar, 23% (2012: 19%) are denominated in Renminbi and 19% (2012: 4%) 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 and loans from shareholders to finance its capital investments and working capital.

At 31 December 2013, if Renminbi had strengthened/weakened against the other currencies by 3% (2012: 1%) with all other variables held constant, profit for the year would have been approximately HK$91 million higher/lower (2012: HK$28 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.

At 31 December 2013 and 2012, no significant change on profit for the respective years as a result of the 0.1% (2012: 0.1%) strengthened/weakened of United States dollar against Hong Kong dollar.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(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 2013, if there had been a 10% (2012: 10%) increase/decrease in the listed share prices or price-earnings multiples of certain listed companies in the same industry 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$252 million (2012: HK$204 million) and HK$56 million (2012: HK$36 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. Borrowings 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. Other than the notes payables and the loans borrowed from shareholders, all other borrowings were at floating interest rates.

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 2013, 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 2013, if interest rates on borrowings had been 100 basis points (2012: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been HK$54 million (2012: HK$49 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 32(f)) and cash and bank balances (note 27) on the basis of expected cash flow. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

The table below analyses the Group's 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 table are the contractual undiscounted cash flows.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Within 1 year		Between 1 and 2 years		Between 2 and 5 years		More than 5 years		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
Group										
Interest-bearing debts	**3,680**	7,839	**5,785**	776	**16,055**	7,183	**6,750**	10,506	**32,270**	26,304
Other financial liabilities	**2,026**	1,641	**—**	—	**—**	—	**—**	—	**2,026**	1,641
	5,706	9,480	**5,785**	776	**16,055**	7,183	**6,750**	10,506	**34,296**	27,945

Further, the Group's contingent liabilities arising from its interest in an associate is set out in note 37(e).

	Within 1 year		Between 1 and 2 years		Between 2 and 5 years		More than 5 years		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
Company										
Interest-bearing debts	**—**	500	**3,436**	—	**6,435**	—	**4,924**	—	**14,795**	500
Other financial liabilities	**135**	123	**17**	2,331	**—**	6,992	**—**	1,507	**152**	10,953
	135	623	**3,453**	2,331	**6,435**	6,992	**4,924**	1,507	**14,947**	11,453

Also, the Company has provided corporate guarantees on behalf of certain of its subsidiaries (note 32(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 debt.

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 BBB by Standard and Poor's. The net gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 HK$'million	2012 HK$'million
Loans from shareholders (note 31)	**10,091**	1,603
Other interest-bearing financial liabilities (note 32)	**16,867**	17,219
Total interest-bearing debts	**26,958**	18,822
Less: cash and bank balances (note 27)	**(3,205)**	(4,192)
Net interest-bearing debts	**23,753**	14,630
Net gearing ratios:		
Net interest-bearing debts divided by equity attributable to the Company's equity holders	**48.9%**	32.1%
Net interest-bearing debts divided by total equity	**42.1%**	27.3%

3.3 Fair value estimation

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

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

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 2013 and 2012:

	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**

	31 December 2012			
	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	—	—	369	369
Available-for-sale financial assets				
– listed equity investments	1,855	—	—	1,855
– unlisted equity investments	—	—	237	237
	1,855	—	606	2,461

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.

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 fair value of the 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 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.

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.

The following table presents the changes in level 3 instruments for the year ended 31 December 2013 and 2012:

	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 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 gains, net)	**189**	—	**189**
As at 31 December 2013	**558**	**706**	**1,264**
Year ended 31 December 2012			
As at 1 January 2012	329	192	521
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 gains, net)	40	—	40
As at 31 December 2012	369	237	606

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as set out below, 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.

	Fair value hierarchy	31 December 2013 Carrying amount HK$'million (note 32)	31 December 2013 Fair value HK$'million	31 December 2012 Carrying amount HK$'million (note 32)	31 December 2012 Fair value HK$'million
Financial liabilities					
Other financial liabilities					
– bank loans	Level 3	**5,444**	**5,300**	4,884	4,775
– notes payable, listed	Level 1	**9,231**	**9,682**	11,540	12,575
– notes payable, unlisted	Level 3	**1,900**	**1,860**	612	594

The fair values of the above financial liabilities 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.

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 TML

As set out in note 2.1, TML is considered to be a subsidiary of the Group despite it has only a 50% ownership interests and has only 50% voting rights in the board of directors of TML. Based on the contractual power in the relevant shareholders' agreement between the Group and the other shareholder, the Group has a majority voting power in the EC. The Directors, based on the aforesaid, are of the view that the relevant activities of TML are decided at meetings of the EC rather than at meetings of the board or shareholders. Therefore, the directors of the Company concludes that the Group has the practical ability to direct the relevant activities of TML unilaterally and hence the Group has control over TML.

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 is not subject to any income taxes on disposal of its investment properties.

(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, port-related manufacturing operations and property development and investment. The following is an analysis of the Group's revenue from its major products and services offered during the year.

	2013 HK$'million	2012 HK$'million
Ports service, transportation income, container service and container yard management income	**7,016**	6,653
Logistics services income (including rental income)	**702**	1,830
Gross rental income from investment properties	**40**	40
Sales of properties and goods	**—**	2,499
	7,758	11,022

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, and allocates resources and determines 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 operations 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 was further evaluated on a geographic basis, including the Pearl River Delta excluding Hong Kong ("PRD excluding HK"), Hong Kong, Yangtze River Delta and other locations in prior years. As set out in note 21, the Group, now active in developing its business operations into overseas market as a means to effectively add new growth drivers to its ports business, changed in the year the structure of its internal reports that the CODM reviews. Specifically, "other locations" in prior years is separated into two reportable segments in the current year, namely "others" under the geographical location of "Mainland China, Hong Kong and Taiwan" and "other locations" outside of Mainland China, Hong Kong and Taiwan.

The Group's reportable segments of the ports operation are as follows:

(a) Mainland China, Hong Kong and Taiwan

- PRD excluding HK
- Hong Kong
- Yangtze River Delta
- Others

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

Since the structure of the Group's internal organisation has been changed in a manner that causes the composition of the reportable segments of the ports operation to change, the corresponding segment information as at 31 December and for the year then, as appropriate, are restated.

(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.

(iii) Port-related manufacturing operations include container manufacturing operated by the Group's associate and construction of modular housing operated by Nanshan Group excluding Shenzhen Chiwan Group (the "Nanshan Outgoing Group").

6. SEGMENT INFORMATION (Continued)

(iv) Other operations included property development and investment and corporate function in prior years.

Upon the Group ceasing to control China Nanshan on 28 December 2012, China Nanshan is accounted for as an investment in associate of the Group. Thereafter, the performance of the Nanshan Outgoing Group is also evaluated by the CODM as part of the other operations. In prior years, businesses of the Nanshan Outgoing Group were included in "bonded logistics and cold chain operations", "port-related manufacturing operations" and "property development and investment", as appropriate.

The Nanshan Outgoing Group, together with the property investment, are recognised as "other investments".

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 2013 and 2012 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 2013 and 2012.

As at 31 December 2013, 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:

	2013 HK$'million	2012 HK$'million
Mainland China, Hong Kong and Taiwan	**65,509**	61,989
Other locations	**15,236**	7,213
	80,745	69,202

6. SEGMENT INFORMATION (Continued)

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:

	For the year ended 31 December 2013									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	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
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

	For the year ended 31 December 2012 (as restated)									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	
	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
REVENUE										
Company and subsidiaries	5,814	216	–	623	–	6,653	1,830	720	1,819	11,022
Share of associates	164	802	8,476	–	466	9,908	584	18,257	762	29,511
Share of joint ventures	1	16	294	1,662	–	1,973	–	–	673	2,646
Total segment revenue	5,979	1,034	8,770	2,285	466	18,534	2,414	18,977	3,254	43,179

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 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	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)	2,553	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)

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 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	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)	2,530	25	55	305	(11)	2,904	1,005	29	1,365	(233)	1,132	5,070
Share of profits less losses of												
– Associates	40	216	1,560	–	131	1,947	130	546	131	–	131	2,754
– Joint ventures	–	1	77	169	–	247	–	–	(34)	–	(34)	213
	2,570	242	1,692	474	120	5,098	1,135	575	1,462	(233)	1,229	8,037
Finance costs, net	(91)	–	–	(58)	1	(148)	(196)	(15)	(223)	(584)	(807)	(1,166)
Taxation	(480)	(4)	(142)	(24)	(8)	(658)	(148)	(34)	(323)	–	(323)	(1,163)
Profit/(loss) for the year	1,999	238	1,550	392	113	4,292	791	526	916	(817)	99	5,708
Non-controlling interests	(694)	–	–	(36)	(44)	(774)	(504)	32	(644)	–	(644)	(1,890)
Profit/(loss) attributable to equity holders of the Company	1,305	238	1,550	356	69	3,518	287	558	272	(817)	(545)	3,818
Other information:												
Depreciation and amortisation	863	8	–	146	1	1,018	189	22	48	7	55	1,284
Capital expenditure	1,258	6	–	371	1,428	3,063	553	37	443	1	444	4,097

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 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	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)

6. SEGMENT INFORMATION (Continued)

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

	As at 31 December 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	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)	24,215	165	1,848	3,063	6,495	35,786	4,119	19	1,444	2,336	3,780	43,704
Interests in associates	1,301	1,656	14,734	–	1,048	18,739	440	6,597	2,692	–	2,692	28,468
Interests in joint ventures	3	5	833	4,331	–	5,172	–	–	–	–	–	5,172
Total segment assets	25,519	1,826	17,415	7,394	7,543	59,697	4,559	6,616	4,136	2,336	6,472	77,344
Taxation recoverable												2
Deferred tax assets												120
Total assets												77,466
LIABILITIES												
Segment liabilities	(4,910)	(32)	–	(1,508)	(1,872)	(8,322)	(1,296)	–	(7)	(12,327)	(12,334)	(21,952)
Taxation payable												(139)
Deferred tax liabilities												(1,693)
Total liabilities												(23,784)

7. PROFIT FOR THE YEAR

	2013 HK$'million	2012 HK$'million
Profit for the year has been arrived at after charging:		
Cost of inventories (including properties held for sale)	**18**	1,514
Staff costs (including Directors' and chief executive's emoluments) (note 9)	**1,329**	1,537
Depreciation of property, plant and equipment	**1,017**	1,076
Amortisation of intangible assets and land use rights	**207**	208
Auditors' remuneration	**16**	15
Operating lease rentals in respect of		
– land and buildings	**239**	117
– plant and machinery	**105**	75

8. OTHER GAINS, NET AND OTHER INCOME

	2013 HK$'million	2012 HK$'million
Other gains, net		
Increase in fair value of investment properties (note 18)	**68**	522
Increase in fair value of financial asset at fair value through profit or loss (note 23(b))	**189**	40
Gain on disposal of land use rights and property, plant and equipment	**23**	136
Net exchange gains	**158**	27
Gain on disposal of interests in associates	—	1,287
Net loss associated with ceasing to control certain subsidiaries	—	(225)
	438	1,787
Other income		
Dividend income from available-for-sale financial assets		
– listed equity investments	**63**	47
– unlisted equity investments	**22**	16
Dividend income from financial asset at fair value through profit or loss	**29**	29
Income from held-to-maturity investments	—	22
Others	**62**	136
	176	250

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

	2013 HK$'million	2012 HK$'million
Wages, salaries and bonus	**1,123**	1,316
Retirement benefit scheme contributions (Note)	**206**	221
	1,329	1,537

Note: No forfeiture was utilised for the year ended 31 December 2013 (2012: 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$'million	2013 Total HK$'million	2012 Total HK$'million
Fu Yuning (Chairman)	—	—	—	—	—	—	—
Li Jianhong (Vice Chairman)	—	—	—	—	—	—	—
Li Yinquan	—	—	—	—	—	—	—
Hu Zheng	—	—	—	—	—	—	—
Meng Xi	—	—	—	—	—	—	—
Su Xingang	—	—	—	—	—	—	—
Yu Liming	—	—	—	—	—	—	—
Hu Jianhua (Managing director)	—	**0.99**	**1.36**	—	**0.15**	**2.50**	2.47
Wang Hong	—	—	—	—	—	—	—
Liu Yunshu (Note (ii))	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	0.29
Zheng Shaoping (Note (iii))	—	**0.79**	**1.02**	—	**0.08**	**1.89**	1.51
Kut Ying Hay	**0.26**	—	—	—	—	**0.26**	0.21
Lee Yip Wah Peter	**0.26**	—	—	—	—	**0.26**	0.21
Li Kwok Heem John	**0.26**	—	—	—	—	**0.26**	0.21
Li Ka Fai David	**0.26**	—	—	—	—	**0.26**	0.21
Bong Shu Ying Francis	**0.26**	—	—	—	—	**0.26**	0.21
Total for the year ended 31 December 2013	**1.30**	**1.78**	**2.38**	—	**0.23**	**5.69**	
Total for the year ended 31 December 2012	1.05	2.74	1.38	—	0.15		5.32

Notes:

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

(ii) Mr. Liu Yunshu resigned as an executive director of the Company on 10 February 2012.

(iii) Mr. Zheng Shaoping was appointed as an executive director of the Company on 10 February 2012.

(iv) No Director nor the chief executive waived any emoluments in respect of the years ended 31 December 2013 and 2012.

11. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the eight (2012: seven) senior management of the Company for the year ended 31 December 2013, two (2012: one) of them are/is director(s) of the Company and their remuneration has been disclosed in note 10. The total emoluments of the remaining six (2012: six) senior management is as follows:

	2013 HK$'million	2012 HK$'million
Salaries, other allowances and benefit-in-kinds	**6**	5
Performance related incentive payments	**6**	5
	12	10

The emoluments fell within the following bands:

	Number of senior management	
	2013	2012
Below HK$1,500,000	**—**	1
HK$1,500,001 - HK$2,000,000	**5**	4
HK$2,000,001 - HK$2,500,000	**1**	—
HK$2,500,001 - HK$3,000,000	**—**	1
	6	6

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2012: one) are/is director(s) (including the chief executive) and two (2012: three) are senior management of the Company whose emoluments are included in note 10 and 11(a), respectively. The total emoluments of the remaining one (2012: one) individual is as follows:

	2013 HK$'million	2012 HK$'million
Salaries, other allowances and benefit-in-kinds	**2**	2
Performance related incentive payments	**—**	—
	2	2

The emoluments fell within the band of HK$2,000,001 - HK$2,500,000 for the years ended 31 December 2012 and 2013.

12. FINANCE INCOME AND COSTS

	2013 HK$'million	2012 HK$'million
Finance income from:		
Interest income from bank deposits	**44**	162
Others	**11**	—
	55	162
Interest expense on:		
Bank borrowings		
– wholly repayable within five years	**(223)**	(438)
– not wholly repayable within five years	**(39)**	(16)
Listed notes payable		
– wholly repayable within five years	**(393)**	(358)
– not wholly repayable within five years	**(199)**	(245)
Unlisted notes wholly repayable within five years	**(56)**	(251)
Loans from:		
– non-controlling equity holders of subsidiaries	**(9)**	(6)
– shareholders	**(286)**	(120)
Others	**(39)**	—
Total borrowing costs incurred	**(1,244)**	(1,434)
Less: amount capitalised on qualifying assets (Note)	**171**	106
Finance costs	**(1,073)**	(1,328)
Finance costs, net	**(1,018)**	(1,166)

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 4.81% per annum (2012: 5.42% 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% (2012: 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 three or five profit making years and followed by a 50% reduction in PRC corporate income tax for the next three or five years, respectively, 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/(credited) to the consolidated statement of profit or loss represents:

	2013 HK$'million	2012 HK$'million
Current taxation		
Hong Kong Profits Tax	**7**	8
PRC corporate income tax	**465**	630
PRC corporate income tax arising from disposals of associates (Note)	—	248
PRC withholding income tax	**182**	190
Overseas withholding income tax	**16**	5
Deferred taxation		
Origination and reversal of temporary differences	**172**	174
Release of deferred taxation upon ceasing to control certain subsidiaries (note 39)	—	(92)
	842	1,163

Note: Amount represented PRC corporate income tax in the year ended 31 December 2012 arising from the disposals of two associates established in the PRC, as set out in note 21(c).

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:

	2013 HK$'million	2012 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	**1,972**	3,904
Expected tax calculated at the weighted average applicable tax rate	**358**	888
Income not subject to tax	**(244)**	(155)
Expenses not deductible for tax purposes	**354**	193
Tax losses and other temporary differences not recognised	**62**	76
Utilisation of previously unrecognised tax losses	**(8)**	(101)
Withholding tax on earnings of subsidiaries, associates and joint ventures	**320**	262
Tax charge	**842**	1,163

The weighted average applicable tax rate was 18.2% (2012: 22.7%).

14. EARNINGS PER SHARE

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

	2013	2012
Basic		
Profit attributable to equity holders of the Company (HK$'million)	**4,213**	3,818
Weighted average number of ordinary shares in issue	**2,524,195,286**	2,490,749,114
Basic earnings per share (HK cents)	**166.89**	153.26
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	**4,213**	3,818
Weighted average number of ordinary shares in issue	**2,524,195,286**	2,490,749,114
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note)	**4,621,058**	2,736,995
Weighted average number of ordinary shares for diluted earnings per share	**2,528,816,344**	2,493,486,109
Diluted earnings per share (HK cents)	**166.59**	153.09

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

15. DIVIDENDS

	2013 HK$'million	2012 HK$'million
Interim, paid, of 22 HK cents (2012: 22 HK cents) per share	**555**	548
Final, proposed, of 55 HK cents (2012: 48 HK cents) per share	**1,390**	1,196
	1,945	1,744

Details of scrip dividends offered in respect of the 2012 final and 2013 interim dividends are set out in note 29(b).

At a meeting held on 31 March 2014, 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 2013 was based on 2,527,004,412 (2012: 2,491,853,388) shares in issue as at 31 March 2014.

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 (c))	Total HK$'million
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**
Year ended 31 December 2012					
As at 1 January 2012	3,338	6	82	1,165	1,253
Exchange adjustments	—	—	—	179	179
Addition	—	—	—	101	101
Acquisition of subsidiaries (note 38)	—	—	—	3,270	3,270
Ceasing to control certain subsidiaries (note 39)	(45)	—	—	—	—
Amortisation (Note (a))	—	—	(7)	—	(7)
As at 31 December 2012	3,293	6	75	4,715	4,796
As at 31 December 2012					
Cost	3,293	6	90	4,715	4,811
Accumulated amortisation	—	—	(15)	—	(15)
Net book value	3,293	6	75	4,715	4,796

16. GOODWILL AND INTANGIBLE ASSETS (Continued)

Notes:

(a) Amortisation of HK$8 million (2012: HK$7 million) is included in "administrative expenses" in the consolidated statement of profit or loss.

(b) Goodwill is allocated to the Group's CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2013 **HK$'million**	2012 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– PRD excluding HK	**2,942**	2,927
– Hong Kong	**52**	52
– Others	**10**	10
Bonded logistics and cold chain operations	**314**	304
	3,318	3,293

The recoverable amount of a CGU is determined based on higher of fair value less cost to sales 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. 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))**	
	2013	2012	**2013**	2012
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– PRD excluding HK	**5%**	5%	**9.65%**	9.99%
– Hong Kong	**3% to 5%**	3% to 5%	**9.65%**	9.99%
– Others	**5%**	5%	**9.65%**	9.99%
Bonded logistics and cold chain operations	**4% to 5%**	3% to 5%	**9.65%**	9.99%

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 Group.

During the year ended 31 December 2013, there is no impairment of any of its CGUs or group of CGUs containing goodwill with indefinite useful lives (2012: 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) Included in port operating rights as at 31 December 2013 is an amount of HK$4,036 million (2012: HK$3,554 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$255 million for the year ended 31 December 2013 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 of 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 33.

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$'million	Total HK$'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

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$'million	Total HK$'million	Furniture and equipment and motor vehicles HK$'million
Year ended 31 December 2012							
As at 1 January 2012	506	8,895	5,514	1,185	2,169	18,269	3
Exchange adjustments	—	(8)	(7)	—	(1)	(16)	—
Additions	1	203	82	112	2,489	2,887	—
Disposals	—	(3)	(851)	(43)	—	(897)	—
Acquisition of subsidiaries (note 38)	—	8	—	—	—	8	—
Ceasing to control certain subsidiaries (note 39)	(159)	(714)	(244)	(464)	(390)	(1,971)	—
Transfers	3	842	286	146	(1,277)	—	—
Transfer to investment properties (note 18)	—	—	—	—	(366)	(366)	—
Transfer from other non-current assets	—	—	—	—	25	25	—
Depreciation (Note (d))	(16)	(365)	(543)	(152)	—	(1,076)	—
As at 31 December 2012	335	8,858	4,237	784	2,649	16,863	3
As at 31 December 2012							
Cost	529	11,788	8,056	1,418	2,649	24,440	10
Accumulated depreciation and impairment	(194)	(2,930)	(3,819)	(634)	—	(7,577)	(7)
Net book value	335	8,858	4,237	784	2,649	16,863	3

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) Included in assets under construction is capitalised interest of approximately HK$161 million (2012: HK$45 million).

(b) As at 31 December 2013, plant, machinery, furniture and equipment with net book value of HK$34 million (2012: HK$35 million) were pledged as security for the Group's bank borrowings (note 32(a)).

(c) Others mainly comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$415 million (2012: HK$430 million), HK$103 million (2012: HK$108 million) and HK$65 million (2012: HK$70 million) respectively as at 31 December 2013.

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

	2013 **HK$'million**	2012 HK$'million
Cost of sales	**986**	1,027
Administrative expenses	**31**	49
	1,017	1,076

(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**	
	2013 **HK$'million**	2012 HK$'million	**2013** **HK$'million**	2012 HK$'million
Land and buildings in Hong Kong, held on medium-term leases	**181**	187	—	—
Land and buildings outside Hong Kong, held on medium-term leases	**513**	148	**10,035**	8,858
	694	335	**10,035**	8,858

18. INVESTMENT PROPERTIES

	2013 HK$'million	2012 HK$'million
As at 1 January	**1,534**	4,340
Exchange adjustments	**5**	2
Addition	**135**	—
Transfer from other non-current assets	**97**	—
Transfer from property, plant and equipment (note 17)	—	366
Increase in fair value (note 8)	**68**	522
Disposal	—	(21)
Ceasing to control certain subsidiaries (note 39)	—	(3,675)
As at 31 December	**1,839**	1,534

Notes:

(a) The investment properties were revalued at 31 December 2013 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:

	2013 HK$'million	2012 HK$'million
Hong Kong	**1,512**	1,444
Mainland China	**327**	90
	1,839	1,534

19. LAND USE RIGHTS

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

	2013 HK$'million	2012 HK$'million
As at 1 January	**7,946**	9,883
Exchange adjustments	**197**	(10)
Additions	—	108
Disposals	**(4)**	—
Transfer from other non-current assets	**27**	—
Amortisation	**(199)**	(201)
Ceasing to control certain subsidiaries (note 39)	—	(1,834)
As at 31 December	**7,967**	7,946

Notes:

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

(b) As at 31 December 2013, land use rights with a net book value of HK$7 million (2012: HK$7 million) are pledged as security for the Group's bank borrowings (note 32(a)).

20. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

Particulars of the Company's principal subsidiaries at 31 December 2013 are set out in note 42 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 that have material non-controlling interests at the end of the reporting period is Shenzhen Chiwan.

Shenzhen Chiwan is a company listed on the Shenzhen Stock Exchange. Although the Group is only beneficially interested in (excluding those held through China Nanshan and its subsidiary) Shenzhen Chiwan for approximately 34% (2012: 9%), the Group has the power to direct approximately 67% (2012: 67%) of the voting right in Shenzhen Chiwan pursuant to an entrustment agreement entered into with China Nanshan, which beneficially interested in Shenzhen Chiwan for 33% (2012: 58%). The ownership interest and voting rights held by numerous other shareholders other than the Group and China Nanshan in Shenzhen Chiwan is approximately 33% (2012: 33%). Therefore, the Directors conclude the Group has control over Shenzhen Chiwan and Shenzhen Chiwan is consolidated in these 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:

	2013 Shenzhen Chiwan HK$'million	2012 Shenzhen Chiwan HK$'million
Financial information of consolidated statement of profit or loss and other comprehensive income		
Revenue	**2,238**	2,118
Other income and gains	**164**	121
Expenses and taxation	**(1,592)**	(1,479)
Profit for the year	**810**	760
Other comprehensive income	**153**	2
Total comprehensive income for the year	**963**	762
Profit for the year, attributable to:		
Equity holders of the Company	**349**	240
Non-controlling interests of the Group	**461**	520
	810	760
Total comprehensive income for the year, attributable to:		
Equity holders of the Company	**421**	241
Non-controlling interests of the Group	**542**	521
	963	762
Dividends paid to non-controlling interests of the Group	**160**	222
Financial information of consolidated statement of financial position		
Non-current assets	**8,638**	8,143
Current assets	**1,265**	760
Current liabilities	**(1,911)**	(1,892)
Non-current liabilities	**(1,423)**	(968)
	6,569	6,043
Equity attributable to:		
Equity holders of the Company	**3,210**	2,244
Non-controlling interests of the Group	**3,359**	3,799
	6,569	6,043

20. INTERESTS IN SUBSIDIARIES (Continued)

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

	2013 Shenzhen Chiwan HK$'million	2012 Shenzhen Chiwan HK$'million
Financial information of consolidated statement of cash flows		
Net cash inflow from operating activities	**1,132**	859
Net cash outflow from investing activities	**(424)**	(633)
Net cash outflow from financing activities	**(198)**	(427)
Net cash inflow/(outflow)	**510**	(201)

(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 subsidiary) 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	
	2013 HK$'million	2012 HK$'million
Unlisted shares, at cost	**9,646**	9,646
Advances to subsidiaries - non-current (Note (i))		
– interest free	**23,246**	21,810
– interest bearing	**926**	284
	33,818	31,740
Advances to subsidiaries - current (Note (ii))		
– interest free	**1,083**	—
– interest bearing	**274**	301
	1,357	301
Advances from subsidiaries - non-current (Note (iii))		
– interest bearing	**8,471**	8,456
Advances from subsidiaries - current (Note (iv))		
– interest free	**60**	50
– interest bearing	**—**	2,324
	60	2,374

Notes:

(i) The advances to subsidiaries included in non-current assets of HK$23,246 million (2012: HK$21,810 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$926 million (2012: HK$284 million) is unsecured, interest bearing at an effective interest rate of 1.35% to 4.20% per annum (2012: 1.53% to 3.31% per annum) and without fixed repayment terms.

(ii) As at 31 December 2013, the advances to subsidiaries included in current assets of HK$274 million (2012: HK$301 million) are unsecured, interest bearing at an effective interest rate of 1.89% to 3.30% per annum (2012: 1.67% per annum) and repayable on demand. The amount of HK$1,083 million (2012: nil) are unsecured, interest free and repayable on demand.

(iii) The advances from subsidiaries included in non-current liabilities of HK$8,471 million (2012: HK$8,456 million) are unsecured, interest bearing of 5.29% to 7.13% per annum (2012: 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$60 million (2012: HK$50 million) are unsecured, interest free and repayable on demand. As at 31 December 2012, the amount of HK$2,324 million were unsecured and interest bearing at 7.25% per annum.

21. INTERESTS IN ASSOCIATES

	2013 HK$'million	2012 HK$'million
Share of net assets of:		
Listed associates	**22,484**	20,798
Unlisted associates	**10,083**	6,977
	32,567	27,775
Goodwill:		
Listed associates	**547**	532
Unlisted associates	**3,099**	161
	3,646	693
Total	**36,213**	28,468

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.

21. INTERESTS IN ASSOCIATES (Continued)

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.

Material associates

	2013		2012	
	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	**72,378**	**35,253**	66,177	30,714
Profit for the year, attributable to the equity holders of the associates	**2,751**	**6,759**	2,384	6,370
Other comprehensive income for the year, attributable to the equity holders of the associates	**302**	**1,634**	199	57
Total comprehensive income for the year, attributable to the equity holders of the associates	**3,053**	**8,393**	2,583	6,427
Dividends received from associates by the Group during the year	**196**	**938**	384	808
Financial information of consolidated statement of financial position				
Non-current assets	**39,986**	**91,745**	30,393	82,741
Current assets	**52,365**	**23,899**	47,288	19,534
Current liabilities	**(41,435)**	**(26,363)**	(31,496)	(17,782)
Non-current liabilities	**(19,758)**	**(17,214)**	(18,911)	(23,183)
Net assets of the associates	**31,158**	**72,067**	27,274	61,310

21. INTERESTS IN ASSOCIATES (Continued)

Material associates (Continued)

	2013		2012	
	CIMC HK$'million	**SIPG HK$'million**	CIMC HK$'million	SIPG HK$'million
Reconciliation to the carrying amounts of interest in the associates:				
Net assets of the associates	**31,158**	**72,067**	27,274	61,310
Less: non-controlling interests	**(4,861)**	**(7,682)**	(3,212)	(1,479)
Net assets attributable to the equity holders of the associates	**26,297**	**64,385**	24,062	59,831
Proportion of the Group's interests in the associates	**25.54%**	**24.49%**	25.54%	24.49%
Net assets attributable to the Group's interest in the associates	**6,716**	**15,768**	6,145	14,653
Goodwill	**465**	**82**	452	80
Carrying amount of the Group's interest in the associates	**7,181**	**15,850**	6,597	14,733
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 interest in the associates	**11,219**	**37,431**	8,078	18,076

Aggregate of other associates

	2013 HK$'million	2012 HK$'million
The Group's share of:		
Profit for the year	**908**	585
Other comprehensive income	**278**	3
Total comprehensive income	**1,186**	588
Aggregate carrying amount of the Group's interests in these associates	**13,182**	7,138

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 has 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.

21. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(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 has 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) Disposal of associates in 2012

On 11 September 2012, the Group completed the disposals of two associates established in the PRC, for an aggregate consideration of approximately HK$1,436 million to an independent third party, resulting in a gain on disposal HK$1,287 million.

(d) Particulars of the Group's principal associates at 31 December 2013 are set out in note 43 to the financial statements.

22. INTERESTS IN JOINT VENTURES

	2013 HK$'million	2012 HK$'million
Share of net assets of unlisted joint ventures	**5,672**	5,117
Goodwill	**57**	55
	5,729	5,172

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.

	2013 HK$'million	2012 HK$'million
The Group's share of:		
Profit for the year	**543**	213
Other comprehensive income	**143**	3
Total comprehensive income	**686**	216

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 initial investment is RMB350 million and for 25% interests in the relevant project. This transaction has been completed subsequent to the end of the reporting period.

(b) Particulars of the Group's principal joint ventures at 31 December 2013 are set out in note 44 to the financial statements.

23. OTHER FINANCIAL ASSETS

	2013 HK$'million	2012 HK$'million
Non-current asset		
Available-for-sale financial assets (Note (a))	**2,523**	2,092
Current asset		
Financial asset at fair value through profit or loss (Note (b))	**558**	369

Notes:

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

	2013 HK$'million	2012 HK$'million
Listed equity investments in Mainland China	**1,817**	1,855
Unlisted equity investments in Mainland China	**706**	237
	2,523	2,092

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

	2013 HK$'million	2012 HK$'million
As at 1 January	**2,092**	1,919
Acquisition	**418**	—
Exchange adjustments	**6**	—
Net change in fair value transferred to equity	**7**	173
As at 31 December	**2,523**	2,092

All available-for-sale financial assets are denominated in Renminbi.

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

	2013 HK$'million	2012 HK$'million
Unlisted convertible preference shares in United States	**558**	369

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

	2013 HK$'million	2012 HK$'million
As at 1 January	**369**	329
Fair value gain (note 8)	**189**	40
As at 31 December	**558**	369

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

	2013 HK$'million	2012 HK$'million
Prepayments for purchase of non-current assets	**1,235**	1,019
Others	**136**	111
	1,371	1,130

25. INVENTORIES

	2013 HK$'million	2012 HK$'million
Raw materials	**58**	54
Spare parts and consumables	**36**	35
	94	89

In addition, the movements of the Group's properties under development and held for sale during the year ended 31 December 2012 are set out as follows:

	HK$'million
As at 1 January 2012	4,380
Exchange adjustments	(15)
Additions	1,473
Properties sold	(1,117)
Ceasing to control certain subsidiaries (note 39)	(4,721)
As at 31 December 2012 and 2013	—

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
Trade debtors	**919**	878	—	—
Less: provision for impairment of trade debtors (Note (a))	**(24)**	(26)	—	—
Trade debtors, net (Note (c))	**895**	852	—	—
Amounts due from fellow subsidiaries (Note (f))	**8**	8	—	—
Amounts due from associates (Note (f))	**129**	122	—	—
Amounts due from joint ventures (Note (f))	—	7	—	—
Dividend receivables	**294**	53	—	—
	1,326	1,042	—	—
Other debtors, deposits and prepayments	**301**	358	**6**	28
	1,627	1,400	**6**	28

Notes:

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

	2013 HK$'million	2012 HK$'million
As at 1 January	**26**	38
Provision for impairment of trade debtors	**5**	6
Reversal of provision	**(7)**	—
Ceasing to control certain subsidiaries	—	(18)
As at 31 December	**24**	26

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$13 million (2012: HK$17 million) are included in trade debtors as at 31 December 2013.

26. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) The Group has a credit policy of allowing an average credit period of 90 days (2012: 90 days) to its trade customers. The ageing analysis of trade debtors, net of provision for impairment of trade debtors, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2013 **HK$'million**	2012 HK$'million
Not yet due	**287**	273
Days overdue		
– 1 - 90 days	**508**	539
– 91 - 180 days	**78**	29
– 181 - 365 days	**16**	8
– Over 365 days	**6**	3
	895	852

(d) As at 31 December 2013, trade debtors of HK$287 million (2012: HK$273 million) and balances with related companies of HK$431 million (2012: HK$190 million) are neither past due nor impaired and are fully performing.

(e) As at 31 December 2013, trade debtors of HK$586 million (2012: HK$568 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, and overdue amounts can be recovered. The ageing analysis of these trade debtors is as follows:

	2013 **HK$'million**	2012 HK$'million
Days overdue		
– 1 to 90 days	**508**	539
– 91 to 180 days	**78**	29
	586	568

As at 31 December 2013, it is noted that provision for impairment may be required in respect of trade debtors for the gross amount of HK$46 million (2012: HK$37 million) and a provision of HK$24 million (2012: HK$26 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 are unsecured, interest free and repayable on demand in accordance with the relevant agreements, as appropriate.

27. CASH AND BANK BALANCES

	Group		Company	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
Cash at bank and in hand	**1,794**	2,001	**30**	21
Short-term time deposits	**1,411**	2,191	**362**	1,306
	3,205	4,192	**392**	1,327

The weighted average effective interest rate on time deposits as at the end of the reporting period is approximately 2.35% (2012: 2.74%) per annum. These deposits had an average maturity period of 45 days (2012: 64 days).

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
Hong Kong dollar	**514**	317	**198**	11
Renminbi	**2,200**	2,165	**54**	30
United States dollar	**307**	1,394	**138**	1,286
Euro	**181**	316	**2**	—
Other currencies	**3**	—	—	—
	3,205	4,192	**392**	1,327

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group		Company	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
Cash and bank balances	**3,205**	4,192	**392**	1,327
Less:				
Amounts not classified as cash and cash equivalents	—	(1,386)	—	(775)
	3,205	2,806	**392**	552

28. NON-CURRENT ASSETS HELD FOR SALE

During the year, 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 agrees to dispose of, and each of QQTU and the third party agrees 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 sale proceeds are expected to exceed the net carrying amounts of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The transaction is expected to be completed within one year from the date of this reclassification and these assets are therefore classified as held for sale at the end of the reporting period.

29. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2013	2012	**2013** **HK$'million**	2012 HK$'million
Ordinary shares of HK$0.1 each				
Authorised:				
As at 1 January and 31 December	**5,000,000,000**	5,000,000,000	**500**	500
Issued and fully paid ordinary shares of HK$0.1 each:				
As at 1 January	**2,491,423,388**	2,474,411,236	**249**	247
Issue of shares on exercise of share options (Note (a))	**3,536,000**	980,000	**1**	—
Issue of scrip dividend shares (Note (b))	**31,731,024**	16,032,152	**3**	2
As at 31 December	**2,526,690,412**	2,491,423,388	**253**	249

Notes:

(a) During the year, 3,536,000 (2012: 980,000) shares were issued upon exercise of share options. Total net proceeds were HK$64 million (2012: HK$19 million).

The weighted average share price at the time of exercise was HK$28.42 (2012: HK$24.26) per share. The related transaction costs have been deducted from the proceeds received.

During the year, no ordinary shares were repurchased.

29. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) The Company distributed dividends to its shareholders by way of scrip dividends, with a cash alternative to shareholders. Details of ordinary shares of HK$0.1 each issued by the Company as dividends are as follows:

	Date of issue	Number of shares issued	Nominal value of shares issued HK$'million	Premium on shares issued HK$'million	Total scrip dividend HK$'million
2012 final dividend	30 July 2013	**30,703,763**	**3**	**715**	**718**
2013 interim dividend	28 November 2013	**1,027,261**	—	**28**	**28**
2013 Total		**31,731,024**	**3**	**743**	**746**
2012 Total		16,032,152	2	362	364

(c) 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; or (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; and (iii) the nominal value of the share. 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:

	2013		2012	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at 1 January	**22.08**	**25,997,000**	21.99	27,157,000
Exercised	**17.97**	**(3,536,000)**	19.62	(980,000)
Lapsed	—	—	23.03	(180,000)
As at 31 December	**22.72**	**22,461,000**	22.08	25,997,000

29. SHARE CAPITAL (Continued)

Notes: (Continued)

(c) Share options (Continued)

All share options are exercisable as at 31 December 2013 and 2012. Share options outstanding at 31 December 2013 and 2012 have the following expiry dates and exercise prices:

Year of expiry	Exercise price HK$	Number of share options 2013	2012
2014	11.08	**554,000**	2,050,000
2016	23.03	**21,757,000**	23,797,000
2016	20.91	**150,000**	150,000
		22,461,000	25,997,000

30. 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 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)**
	—	**(1,226)**	—	—	**506**	**(720)**
As at 31 December 2013	**190**	**(1,669)**	**1,232**	**6,548**	**2,015**	**8,316**

30. 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 2012	190	(523)	1,214	5,495	1,368	7,744
OTHER COMPREHENSIVE INCOME/ (EXPENSE)						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	—	85	—	85
Reclassification of reserves upon ceasing to control certain subsidiaries	—	6	(1)	(170)	(11)	(176)
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	158	—	—	158
Share of reserves of associates and a joint venture	—	39	52	—	—	91
Other comprehensive income/(expense) for the year, net of tax	—	45	209	(85)	(11)	158
TRANSACTIONS WITH OWNERS						
Transfer from retained earnings	—	—	—	—	152	152
Acquisition of additional interests in subsidiaries from non-controlling equity holders	—	(16)	—	—	—	(16)
	—	(16)	—	—	152	136
As at 31 December 2012	190	(494)	1,423	5,410	1,509	8,038

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 dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

30. 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 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 (note 29(b))	**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	
As at 1 January 2012	15,526	190	2,340	2,775	20,831
Issue of shares on exercise of share options, net of share issue expenses of negligible amount	19	—	—	—	19
Profit for the year	—	—	—	2,695	2,695
Dividends paid (note 29(b))	362	—	—	(2,231)	(1,869)
As at 31 December 2012	15,907	190	2,340	3,239	21,676
Retained earnings as at 31 December 2012 representing:					
Reserves				2,043	
Proposed dividend				1,196	
				3,239	

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$2,091 million (2012: HK$2,695 million).

31. LOANS FROM SHAREHOLDERS

	Loans from a shareholder (Note (a))		Loans from an intermediate holding company		Loans from the ultimate holding company		Total	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million	**2013 HK$'million**	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
The loans as at 31 December 2013 and 2012 are repayable as follows:								
Within 1 year	**—**	—	**—**	—	**78**	986	**78**	986
Between 1 and 2 years	**—**	—	**637**	—	**—**	—	**637**	—
Between 2 and 5 years	**8,053**	—	**—**	617	**1,323**	—	**9,376**	617
	8,053	—	**637**	617	**1,401**	986	**10,091**	1,603
Less: amounts due within one year included under current liabilities	**—**	—	**—**	—	**(78)**	(986)	**(78)**	(986)
Non-current portion	**8,053**	—	**637**	617	**1,323**	—	**10,013**	617
The loans are denominated in the following currencies:								
Renminbi	**—**	—	**637**	617	**1,401**	986	**2,038**	1,603
Euro	**4,176**	—	**—**	—	**—**	—	**4,176**	—
United States Dollar	**3,877**	—	**—**	—	**—**	—	**3,877**	—
	8,053	—	**637**	617	**1,401**	986	**10,091**	1,603
Interest rates per annum	**3.80%**	—	**4.35%**	4.35%	**4.65% - 5.20%**	5.20%		

Notes:

(a) The amounts represent loans from 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 the interest rates as set out above and unsecured.

32. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'million	HK$'million	**HK$'million**	HK$'million
Bank loans				
Short-term bank loans				
– unsecured	**1,568**	2,489	—	—
– secured (Note (a))	**—**	37	—	—
Long-term bank loans, wholly repayable within five years				
– unsecured	**1,352**	1,855	—	496
– secured (Note (a))	**25**	—	—	—
Secured long-term bank loans, not wholly repayable within five years (Note (a))	**2,499**	503	—	—
	5,444	4,884	—	496
Loans from a non-controlling equity holder of a subsidiary (Note (d))	**292**	183	—	—
Notes payable (Note (e))				
– US$300 million, 6.125% guaranteed listed notes maturing in 2013	**—**	2,323	—	—
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	**3,873**	3,869	—	—
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,537**	1,534	—	—
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,821**	3,814	—	—
– RMB500 million, 4.6% unlisted notes maturing in 2014	**636**	—	—	—
– RMB500 million, 5.28% unlisted notes maturing in 2017	**633**	612	—	—
– RMB500 million, 5.6% unlisted notes maturing in 2018	**631**	—	—	—
	11,131	12,152	—	—
Total	**16,867**	17,219	—	496
Less: amounts due within one year included under current liabilities	**(2,339)**	(6,035)	—	(496)
Non-current portion	**14,528**	11,184	—	—

32. OTHER FINANCIAL LIABILITIES (Continued)

Notes:

(a) As at 31 December 2013, the following assets are pledged against the Group's secured bank loans:

	2013 HK$'million	2012 HK$'million
Property, plant and equipment (note 17(b))	**34**	35
Land use rights (note 19 (b))	**7**	7
	41	42

In addition to the above, the entire shareholdings in two (2012: one) subsidiaries owned by the Company and its subsidiary respectively, as at 31 December 2013 are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) As at 31 December 2013, 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$9,231 million (2012: HK$11,540 million) are secured by corporate guarantees provided by the Company.

(d) The amounts are unsecured, interest-bearing at 4.65% (2012: 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:

	2013	2012
US$300 million, 6.125% guaranteed listed notes maturing in 2013	**N/A**	6.33%
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	**4.90%**	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%**	N/A

(f) As at 31 December 2013, the Group has undrawn bank loan facilities amounting to HK$11,947 million (2012: HK$16,335 million), of which HK$10,833 million (2012: HK$15,386 million) and HK$1,114 million (2012: HK$949 million) are committed and uncommitted credit facilities respectively.

(g) The other financial liabilities as at 31 December 2013 and 2012 are repayable as follows:

	Group									
	Bank loans		Listed notes payable		Unlisted notes payable		Loans from a non-controlling equity holder of a subsidiary		Total	
	2013 HK$'million	2012 HK$'million	2013 HK$'million	2012 HK$'million	2013 HK$'million	2012 HK$'million	2013 HK$'million	2012 HK$'million	2013 HK$'million	2012 HK$'million
Within 1 year	**1,703**	3,712	**—**	2,323	**636**	—	**—**	—	**2,339**	6,035
Between 1 and 2 years	**244**	135	**3,873**	—	**—**	—	**—**	—	**4,117**	135
Between 2 and 5 years	**1,777**	702	**1,537**	3,869	**1,264**	612	**—**	—	**4,578**	5,183
Within 5 years	**3,724**	4,549	**5,410**	6,192	**1,900**	612	**—**	—	**11,034**	11,353
More than 5 years	**1,720**	335	**3,821**	5,348	**—**	—	**292**	183	**5,833**	5,866
	5,444	4,884	**9,231**	11,540	**1,900**	612	**292**	183	**16,867**	17,219

	Company	
	2013 HK$'million	2012 HK$'million
Within 1 year	**—**	496

32. OTHER FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
Hong Kong dollar	**1.34% to 4.89%**	1.34% to 3.70%	**N/A**	1.34%
Renminbi	**5.70% to 6.72%**	5.32% to 7.87%	**N/A**	N/A
Euro	**3.72% to 5.46%**	3.85%	**N/A**	N/A
United States dollar	**3.84%**	N/A	**N/A**	N/A

(i) The fair values of bank loans, the listed notes payable and the unlisted notes payable are set out in note 3.3(ii).

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

	Group		Company	
	2013 **HK$'million**	2012 HK$'million	**2013** **HK$'million**	2012 HK$'million
Hong Kong dollar	**803**	3,038	**—**	496
Renminbi	**4,042**	1,956	**—**	—
Euro	**1,085**	685	**—**	—
United States dollar	**10,937**	11,540	**—**	—
	16,867	17,219	**—**	496

33. 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$1,061 million (2012: HK$1,112 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$7 million (2012: 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.

34. DEFERRED TAXATION

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

	2013 **HK$'million**	2012 HK$'million
As at 1 January	**(1,573)**	(2,168)
Exchange adjustments	**(40)**	(19)
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	**(42)**	—
Acquisition of subsidiaries (note 38)	—	(360)
Charged to consolidated statement of profit or loss (note 13)	**(172)**	(174)
Charged to other comprehensive income	**(1)**	(16)
Ceasing to control certain subsidiaries (note 39)	—	1,072
Release of deferred taxation upon ceasing to control certain subsidiaries (note 13)	—	92
As at 31 December	**(1,828)**	(1,573)

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$772 million (2012: HK$509 million) to be carried forward against future taxable income. The unrecognised tax losses of HK$36 million (2012: HK$43 million) can be carried forward indefinitely. The remaining HK$736 million (2012: HK$466 million) expires in the following years:

	2013 **HK$'million**	2012 HK$'million
2013	—	4
2014	**128**	134
2015	**58**	72
2016	**175**	143
2017	**107**	113
2018	**268**	—
	736	466

34. DEFERRED TAXATION (Continued)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Withholding tax relating to unremitted earnings		Accelerated tax depreciation allowance		Fair value gains		Total	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million	**2013 HK$'million**	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
As at 1 January	**(700)**	(729)	**(897)**	(1,495)	**(96)**	(80)	**(1,693)**	(2,304)
Exchange adjustments	**(20)**	—	**(23)**	(19)	**—**	—	**(43)**	(19)
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	**(42)**	—	**—**	—	**—**	—	**(42)**	—
Acquisition of subsidiaries (note 38)	**—**	—	**—**	(360)	**—**	—	**—**	(360)
(Charged)/credited to consolidated statement of profit or loss	**(122)**	(63)	**5**	(124)	**(53)**	—	**(170)**	(187)
Release of deferred taxation upon ceasing to control certain subsidiaries	**—**	92	**—**	—	**—**	—	**—**	92
Charged to other comprehensive income	**—**	—	**—**	—	**(1)**	(16)	**(1)**	(16)
Ceasing to control certain subsidiaries (note 39)	**—**	—	**—**	1,101	**—**	—	**—**	1,101
As at 31 December	**(884)**	(700)	**(915)**	(897)	**(150)**	(96)	**(1,949)**	(1,693)

Deferred tax assets

	Provision		Others		Total	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
As at 1 January	**68**	83	**52**	53	**120**	136
Exchange adjustments	**2**	—	**1**	—	**3**	—
(Charged)/credited to consolidated statement of profit or loss	**(2)**	2	**—**	11	**(2)**	13
Ceasing to control certain subsidiaries (note 39)	**—**	(17)	**—**	(12)	**—**	(29)
As at 31 December	**68**	68	**53**	52	**121**	120

35. CREDITORS AND ACCRUALS

	Group		Company	
	2013 HK$'million	2012 HK$'million	**2013 HK$'million**	2012 HK$'million
Trade creditors (Note (a))	**334**	294	—	—
Amount due to an intermediate holding company (Note (b))	**5**	5	—	—
Amounts due to fellow subsidiaries (Note (b))	**57**	107	—	—
Interest payable to a shareholder (Note (c))	**43**	—	—	—
	439	406	—	—
Other payables and accruals	**1,687**	1,235	**75**	123
	2,126	1,641	**75**	123

Notes:

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

	2013 HK$'million	2012 HK$'million
Not yet due	**155**	5
Days overdue		
– 1 - 90 days	**102**	207
– 91 - 180 days	**6**	49
– 181 - 365 days	**8**	7
– Over 365 days	**63**	26
	334	294

(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.

36. CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operations:

	2013 HK$'million	2012 HK$'million
Operating profit	**2,990**	5,070
Adjustments for:		
Depreciation and amortisation	**1,224**	1,284
Gain on disposal of land use right and property, plant and equipment	**(23)**	(136)
Increase in fair value of investment properties	**(68)**	(522)
Net loss associated with ceasing to control certain subsidiaries	—	225
Gain on disposal of interest in associates	—	(1,287)
Increase in fair value of financial asset at fair value through profit or loss	**(189)**	(40)
Income from held-to-maturity investments	—	(22)
Operating profit before working capital changes	**3,934**	4,572
Increase in inventories, properties under development and held for sale	**(3)**	(383)
Decrease in debtors, deposits and prepayments	**40**	133
(Decrease)/increase in creditors and accruals	**(212)**	763
Net cash inflow from operations	**3,759**	5,085

37. COMMITMENTS AND CONTINGENCIES

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

	2013 HK$'million	2012 HK$'million
Group:		
Authorised but not contracted		
– Property, plant and equipment	**1,113**	103
Contracted but not provided for		
– Property, plant and equipment	**3,982**	6,112
– Land use rights	**242**	216
	4,224	6,328
	5,337	6,431
Joint ventures:		
Authorised but not contracted		
– Property, plant and equipment	**16**	6
Contracted but not provided for		
– Property, plant and equipment	**544**	973
	560	979
	5,897	7,410

(b) Capital commitments for investments

	2013 HK$'million	2012 HK$'million
Group:		
Contracted but not provided for		
– Additional interests in subsidiaries	—	2,204
– Ports projects	**1,180**	2,165
	1,180	4,369

37. COMMITMENTS AND CONTINGENCIES (Continued)

(c) Commitments under operating leases

As at 31 December 2013, the Group has future aggregate minimum lease payments under non-cancellable operating leases for property, plant and equipment and land use rights as follows:

	2013 HK$'million	2012 HK$'million
Within one year	**206**	175
In the second to fifth year inclusive	**509**	403
After the fifth year	**1,928**	2,001
	2,643	2,579

(d) Future operating lease receivables

As at 31 December 2013, the Group has future aggregate lease receivables under non-cancellable operating leases for property, plant and equipment as follows:

	2013 HK$'million	2012 HK$'million
Within one year	**104**	195
In the second to fifth year inclusive	**88**	96
After the fifth year	**57**	24
	249	315

(e) Contingent liabilities

As at 31 December 2013, 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 in the aggregate amount of HK$246 million (2012: nil). 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 arising from the above loan facilities and other obligations.

The directors assessed the risk of default of the associate is 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 the other shareholder.

38. BUSINESS COMBINATION

For the year ended 31 December 2012

Acquisition of subsidiaries for development of a container terminal in West Africa

As set out in note 2.1, on 29 August 2012, the Group completed the acquisition of 50% of issued share capital in, and assignment of the related shareholders' loans to, TML, whose wholly-owned subsidiary, LCT, is granted with a port operating right in Togolese Republic, at an aggregate consideration of EUR150 million (equivalent to HK$1,459 million). Pursuant to the relevant shareholders' agreement, the Group and the other shareholder of TML have agreed to form an EC to manage the relevant financing and operating activities of TML, and via TML, those of LCT. The Group has a majority voting power in the EC and accordingly the directors of the Company consider that the relevant financing and operating decisions of TML and LCT are determined by the EC and accordingly the Group has the power to govern the financial and operating policies of TML and via TML, LCT, so as to obtain benefits from their activities.

The Group considers the transaction fits into its strategy of developing its business operations into overseas market as a pertinent means to effectively add new growth drivers to its ports business.

	HK$'million
Consideration satisfied in cash	1,459
Fair value of identifiable assets acquired and liabilities assumed	
Intangible assets (note 16)	3,270
Property, plant and equipment (note 17)	8
Other non-current assets	90
Debtors, deposits and prepayments	2
Other financial liabilities	(208)
Creditors and accruals	(30)
Deferred tax liabilities (note 34)	(360)
Total identifiable net assets	2,772
Non-controlling interests	(1,386)
	1,386
Assignment of shareholder's loan	73
	1,459

The acquisition-date fair value of the intangible assets were determined by the management with reference to a valuation performed by an independent professional valuer using the discounted cash flow approach over the tenure of the port operating right.

The non-controlling interests in TML recognised at the acquisition date was measured by reference to the fair value of the identifiable assets acquired and liabilities assumed and amounted to HK$1,386 million.

38. BUSINESS COMBINATION (Continued)

For the year ended 31 December 2012 (Continued)

Acquisition of subsidiaries for development of a container terminal in West Africa (Continued)

Acquisition-related costs amounting to HK$8 million had been excluded from the consideration transferred and had been recognised as an expense for the year ended 31 December 2012, within administrative expenses in the consolidated statement of profit or loss.

During the year ended 31 December 2012, the acquiree contributed no revenue and incurred operating expenses of HK$11 million since the completion of the acquisition.

Had the acquiree been consolidated from 1 January 2012, the Group's consolidated statement of profit or loss for the year ended 31 December 2012 would have shown profit attributable to the equity holders of the Company of HK$3,800 million while the revenue of the Group shown in the consolidated statement of profit or loss would not have changed.

39. CEASING TO CONTROL CERTAIN SUBSIDIARIES

For the year ended 31 December 2012

Ceasing to control the Nanshan Outgoing Group

On 28 December 2012, the Company and CMHK entered into a termination agreement to terminate the China Nanshan Entrustment Agreement ("Termination Agreement") which took effect from the date of the Termination Agreement. As at the date of the Termination Agreement, the Company owned, through its wholly-owned subsidiaries, approximately 37% of the total issued capital of China Nanshan.

As a result, the Group was no longer able to exercise the management rights and did not have the power to direct the voting right over the approximately 23% of the total issued share capital of China Nanshan under the China Nanshan Entrustment Agreement, and accordingly, the Group was no longer being able to control, and hence to consolidate the assets, liabilities and other financial results of the Nanshan Outgoing Group into its consolidated financial statements, and the approximately 37% equity interest in China Nanshan held by the Group is accounted for as an associate using the equity accounting method.

Further details of the above transactions are set out in note 2.1.

39. CEASING TO CONTROL CERTAIN SUBSIDIARIES (Continued)

For the year ended 31 December 2012 (Continued)

Ceasing to control the Nanshan Outgoing Group (Continued)

The aggregate amounts of assets and liabilities attributable to the Nanshan Outgoing Group on the date the Group ceased to control it were as follows:

	HK$'million
Deemed consideration received	
Interest in an associate (Note (a))	2,695
Assets and liabilities over which the Group ceased to control	
Goodwill (note 16)	45
Property, plant and equipment (note 17)	1,971
Investment properties (note 18)	3,675
Land use rights (note 19)	1,834
Interests in associates	2,203
Interests in joint ventures	157
Other financial assets	456
Other non-current assets	286
Deferred tax assets (note 34)	29
Inventories	150
Properties under developments and held for sale (note 25)	4,721
Debtors, deposits and prepayments	1,059
Cash and bank balances	5,790
Other financial liabilities	(9,189)
Deferred tax liabilities (note 34)	(1,101)
Creditors and accruals	(2,290)
Taxation payable	(371)
	9,425

39. CEASING TO CONTROL CERTAIN SUBSIDIARIES (Continued)

For the year ended 31 December 2012 (Continued)

Ceasing to control the Nanshan Outgoing Group (Continued)

	HK$'million
Net loss associated with ceasing to control of the Nanshan Outgoing Group (Note (b))	
Deemed consideration received	2,695
Net assets derecognised	(9,425)
Non-controlling interests	6,335
Cumulative translation reserve in respect of the net assets of Nanshan Outgoing Group reclassified from equity to consolidated statement of profit or loss upon ceasing to control	170
	(225)
Release of deferred tax liabilities in respect of the Nanshan Outgoing Group upon ceasing to control (Note (c))	92
	(133)
Net cash outflow arising on ceasing to control Nanshan Outgoing Group, represents cash and bank balance derecognised	(5,790)

Notes:

(a) The deemed consideration received by the Group upon ceasing to control the Nanshan Outgoing Group represented the Group's share of the net fair values of the identifiable assets and liabilities of the retained interests of the Nanshan Outgoing Group upon the Termination Agreement became effective, of which the then business enterprise value of the Nanshan Outgoing Group was HK$855 million.

The Group considered that except for the land use rights in the Mainland China held by the Nanshan Outgoing Group, the then carrying values of the other underlying assets and liabilities of the Nanshan Outgoing Group at the date when the Group ceased the control over it represented their fair values. Since the business enterprise value based on the market prices of the relevant business units, was unable to reflect in full the economic values of the underlying assets and liabilities of the Nanshan Outgoing Group, the Group's management therefore determined that the underlying assets and liabilities provided better indicators for the fair values of the relevant assets and liabilities.

(b) The net loss comprises the loss from derecognition of assets, liabilities and non-controlling interests of the Nanshan Outgoing Group from the consolidated financial statements of the Group upon the Termination Agreement became effective and the Group cease to control the Nanshan Outgoing Group of HK$2,235 million, net of (i) the bargain purchase of the Nanshan Outgoing Group as an associate of the Group of HK$1,840 million, (ii) the release of translation reserve of the Nanshan Outgoing Group of HK$170 million upon the deemed disposal by the Group and (iii) the release of deferred tax liabilities provided by the Group in connection with the Nanshan Outgoing Group of HK$92 million. The resulting net loss was accounted for in the consolidated statement of profit or loss for the year ended 31 December 2012.

(c) This represented the release of deferred tax liabilities related to the withholding income tax on the unremitted earnings recognised by the Group in relation to the Nanshan Outgoing Group upon ceasing to be controlled by the Group.

40. 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.

40. RELATED PARTY TRANSACTIONS (Continued)

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 2013 are as follows:

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

	Note	**2013 HK$'million**	2012 HK$'million
Rental income from	(i)		
– an intermediate holding company		**28**	28
– fellow subsidiaries		**16**	12
– associates		**19**	3
Rental expenses paid to	(i)		
– an intermediate holding company		**1**	2
– fellow subsidiaries		**121**	103
– associates		**87**	—
Service income from	(ii)		
– fellow subsidiaries		**38**	30
– joint ventures		**142**	157
– associates		**13**	6
Service fees paid to	(iii)		
– fellow subsidiaries		**32**	19
– joint ventures		**10**	8
– an associate		**3**	2
Interest expenses and upfront fees paid to	(iv)		
– ultimate holding company		**64**	93
– an intermediate holding company		**27**	27
– a shareholder		**195**	—

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 31 to the consolidated financial statements on the outstanding amounts due to the ultimate and intermediate holding companies and a shareholder.

(v) During the year, the Group sold inventories to a joint venture amounting to HK$14 million (2012: nil).

40. 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: (Continued)

(vi) During the year, 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.

(vii) During the year, a non-wholly-owned subsidiary of the Company entered into 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 transaction has not yet been completed at the end of the reporting period and the amount paid by the Group amounting to HK$52 million is accounted for as a prepayment for purchase of non-current asset set out in note 24.

(viii) During the year, another wholly-owned subsidiary of the Company entered into a 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 amounting to HK$17 million is accounted for as a prepayment for purchase of non-current asset set out in note 24.

(ix) During the year ended 31 December 2012, the Group transferred certain assets to Qingdao Qianwan United Container Terminal Co., Ltd., a joint venture of the Group, at a consideration of HK$1,096 million, resulting in a gain, to the extent of unrelated investor's interest therein, of HK$132 million.

(x) As at 31 December 2013, the Group placed deposits of HK$777 million (2012: HK$1,841 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

As at 31 December 2012, the Group had outstanding bank loans of HK$151 million from CMB, the entire amount of which has been settled during the year.

During the year, interest income from and interest expenses paid and payable to CMB amounted to HK$18 million (2012: HK$53 million) and HK$3 million (2012: HK$77 million) respectively.

The balances with entities within CMG Group as at 31 December 2013 and 31 December 2012 are disclosed in notes 26, 31 and 35 to the consolidated financial statements.

(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 non-controlling equity holders of subsidiaries:

	2013 HK$'million	2012 HK$'million
Interest expense paid (Note)	**9**	6

Note: Interest expense was charged at interest rate as specified in note 32 to the consolidated financial statements on the outstanding loans from non-controlling equity holders of subsidiaries.

The balances with a non-controlling equity holder of a subsidiary as at 31 December 2013 and 2012 are disclosed in note 32 to the consolidated financial statements.

(d) Key management compensation

	2013 HK$'million	2012 HK$'million
Salaries and other short-term employee benefits	**16**	14

41. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2014, the Company announced a proposed open offer of unlisted mandatory convertible securities ("MCS") to qualifying shareholders on the basis of one MCS for every five ordinary shares held by the qualifying shareholders at a subscription price of HK$30.26 per MCS, for a gross proceed ranging from HK$15,293 million to HK$15,427 million. Pursuant to an underwriting agreement, CMU undertook to subscribe the MCS allotted thereto as well as the MCS not subscribed by other shareholders of the Company. The Company intends to use the net proceeds for debts repayment, financing its capital expenditures and working capital. Further details of the terms of the MCS are set out in an announcement of the Company dated 31 March 2014.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists only those subsidiaries of the Company which, in the opinion of the Directors, principally affect the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2013 %	2012 %	**2013 %**	2012 %	
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 Cold Chain (Shenzhen) Company Limited (Note (b))	PRC	US$5,000,000	–	–	**35.70**	35.70	Operation of reefer warehouse in Shenzhen, PRC
China Merchants International Terminals (Ningbo) Limited	British Virgin Islands	US$1	**100.00**	100.00	–	–	Investment holding
China Merchants International Container Terminal (Qingdao) Co., Ltd. (Note (a))	PRC	US$206,300,000	–	–	**100.00**	100.00	Provision of container terminal services and ports transportation
China Merchants International Terminal (Qingdao) Company Ltd. (Note (b))	PRC	US$44,000,000	–	–	**90.10**	90.10	Port, container terminal and logistics business
China Merchants Bonded Logistics Co., Limited (Note (a))	PRC	RMB700,000,000	–	–	**78.26**	71.97	Provision of container related logistics services

42. 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 2013 %	Directly 2012 %	Indirectly 2013 %	Indirectly 2012 %	Principal activities
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 Terminals 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 storages services
Kangxin Logistics (Tianjin) Co., Ltd. (Note (a))	PRC	US$5,619,300	—	—	**51.00**	51.00	Provision of cold storage services and logistics services
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 of 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 berths 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 berths 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 berths 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**	29.91	Ports operation
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**	78.97	Operation of berth No. 5 in Mawan, Shenzhen, PRC

42. 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				Principal activities
			Directly		Indirectly		
			2013 %	2012 %	2013 %	2012 %	
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	–	–	**83.70**	78.97	Operation of berths No. 6 & No. 7 in Mawan, Shenzhen, PRC
Shenzhen Mawan Wharf Co., Ltd. (Note (b))	PRC	RMB200,000,000	–	–	**83.70**	78.97	Operation of berth No. 0 in Mawan, Shenzhen, PRC
Universal Sheen Investment Limited	Hong Kong	HK$100	**100.00**	100.00	–	–	Property holding
Xia Men Bay China Merchants Terminals Co., Ltd. (Note (b))	PRC	RMB80,000,000	–	–	**60.00**	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**	6.93	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 gives the Group practical ability to direct the relevant activities of control of the investee unilaterally by virtue of the shareholders' agreement. Further details are set out in note 38.

(d) This entity is considered to be a subsidiary of the Company despite the Group holds less than half of the equity interest (45.66% (2012: 29.91%)) therein as the Group has the power to appoint and remove the majority of the board of directors of the entity and holds more than half of the voting rights 66.10% (2012: 66.10%) at the shareholders' meetings of the entity by virtue of agreements with other investors. Further details are set out in note 39.

43. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of ownership interest indirectly held by the Company 2013 %	2012 %	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**	—	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**	—	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.	Federal Republic of Nigeria	**28.50**	28.50	Provision of container terminal services

Note: Sino-foreign joint ventures

44. PARTICULARS OF PRINCIPAL JOINT VENTURES

Name of joint venture	Issued capital/ registered capital	Proportion of ownership interest held by the Company indirectly		Principal activities
		2013 **%**	2012 %	
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

Note: Sino-foreign joint ventures

Corporate Information

BOARD OF DIRECTORS

Dr. Fu Yuning *(Chairman)*

Mr. Li Jianhong *(Vice Chairman)*

Mr. Li Yinquan

Mr. Hu Zheng

Mr. Meng Xi

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 Friday, 23 May 2014 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 2013 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 2013 in scrip form with cash option.

3 A. Each as a separate resolution, to re-elect the following retiring Directors:

(a) To re-elect Mr. Zheng Shaoping as a Director;

(b) To re-elect Mr. Kut Ying Hay as a Director;

(c) To re-elect Mr. Lee Yip Wah Peter as a Director;

(d) To re-elect Mr. Li Kwok Heem John as a Director;

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

B. To authorise the Board of Directors 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 of Directors 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 on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") 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 of the Company (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 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 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 aggregate 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 of the Company, shall not exceed 20 per cent. of the aggregate number of shares of the Company in issue (subject to adjustment in the case of subdivision or consolidation of shares) as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company 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 below) of all the powers of the Company to buy back its own shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or any other stock exchange on which the securities of the Company may be listed and recognised by the 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 aggregate 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 aggregate number of the shares of the Company in issue (subject to adjustment in the case of subdivision or consolidation of shares) on the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company 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 aggregate 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 aggregate 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 aggregate number of shares of the Company in issue (subject to adjustment in the case of subdivision or consolidation of shares) on the date of the passing of this Resolution."

Special Resolution

6 To consider and, if thought fit, to pass with or without modifications the following resolution as a special resolution:

"**THAT** the new Articles of Association of the Company produced at the meeting and marked "A" by the Chairman of the meeting for the purpose of identification (which, among other things, do not include any "objects" clauses of the memorandum of association currently contained in the existing Memorandum and Articles of Association of the Company as amended by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when it came into force), be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, such existing Memorandum and Articles of Association of the Company."

By Order of the Board

China Merchants Holdings (International) Company Limited

Fu Yuning

Chairman

Hong Kong, 17 April 2014

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 16 May 2014 to 23 May 2014, 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 15 May 2014.

   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, 29 May 2014. 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, 29 May 2014.

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 58 of the existing Articles of Association of the Company.

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

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