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

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 144)

Consolidated profit from continuing operations attributable to shareholders of the Company reached HK$3,558 million, up by 10.7%
Basic earnings per share from continuing operations: 146.84 HK cents, up by 8.3%

2008 ANNUAL RESULTS ANNOUNCEMENT

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** *HK$'million*	**2007** *HK$'million*
Continuing operations			
Revenue	2	4,135	3,345
Cost of sales	5	(2,163)	(1,644)
Gross profit		1,972	1,701
Other gains, net	4	497	188
Other income	4	48	21
Administrative expenses	5	(582)	(467)
Operating profit		1,935	1,443
Finance income	6	43	31
Finance costs	6	(627)	(566)
Finance costs - net	6	(584)	(535)
Share of profits less losses of			
Associates		2,565	2,645
Jointly controlled entities		98	60
Profit before taxation		4,014	3,613
Taxation	7	(220)	(174)
Profit for the year from continuing operations		3,794	3,439

	Note	2008 HK$'million	2007 HK$'million
Discontinued operations			
Profit for the year from discontinued operations	8	232	456
Profit for the year		4,026	3,895
Attributable to:			
Shareholders of the Company			
- continuing operations		3,558	3,214
- discontinued operations		148	331
		3,706	3,545
Minority interest			
- continuing operations		236	225
- discontinued operations		84	125
		320	350
Profit for the year		4,026	3,895
Dividends	9	1,644	1,563
Earnings per share for profit attributable to the shareholders of the Company	10		
From continuing operations			
- basic (HK cents)		146.84	135.58
- diluted (HK cents)		146.32	134.75
From discontinued operations			
- basic (HK cents)		6.13	13.95
- diluted (HK cents)		6.11	13.87

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 *HK$'million*	2007 *HK$'million*
ASSETS			
Non-current assets			
Goodwill		2,513	3,750
Property, plant and equipment		12,921	11,201
Investment properties		744	692
Leasehold land and land use rights		7,426	6,605
Interests in associates		17,392	16,204
Interests in jointly controlled entities		2,646	2,368
Other financial assets		1,609	500
Prepayment		—	434
Deferred tax assets		27	36
		45,278	41,790
Current assets			
Inventories		41	324
Debtors, deposits and prepayments	11	684	1,895
Tax recoverable		—	1
Cash and cash equivalents		2,806	1,230
		3,531	3,450
Assets of disposal groups classified as held for sale	8	1,684	446
		5,215	3,896
Total assets		50,493	45,686

	Note	**2008** *HK$'million*	**2007** *HK$'million*
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		242	241
Reserves		29,069	25,518
Proposed dividend		969	1,083
		30,280	26,842
Minority interest		2,434	1,633
Total equity		32,714	28,475
LIABILITIES			
Non-current liabilities			
Other financial liabilities		10,246	7,091
Deferred tax liabilities		631	468
		10,877	7,559
Current liabilities			
Creditors and accruals	12	2,355	2,470
Loans from the ultimate holding company		2,649	939
Other financial liabilities		1,237	6,206
Taxation payable		19	37
		6,260	9,652
Liabilities of disposal group classified as held for sale	8	642	—
		6,902	9,652
Total liabilities		17,779	17,211
Total equity and liabilities		50,493	45,686
Net current liabilities		(1,687)	(5,756)
Total assets less current liabilities		43,591	36,034

NOTES:

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). 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, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

In 2008, the Group adopted the following interpretations and amendment to existing Standands issued by the Hong Kong Institute of Certified Public Accountants, which became effective for accounting periods beginning on or after 1 January 2008.

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC)-Int 11 'HKFRS 2 — Group and treasury share transaction' provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share based payment transactions in the stand-alone accounts of the parent and group companies. The adoption of this interpretation does not have any significant impact on the Group's financial statements.

- HK(IFRIC)-Int 12 'Service concession arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of this interpretation does not have any significant impact on the Group's financial statements.

- HK(IFRIC)-Int 14 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of this interpretation does not have any significant impact on the Group's financial statements.

The Group has not early adopted the new and revised Standards, amendments or interpretations that have been issued but not yet effective during the year. The Group is in the process of assessment of the impact of these amendments to the Group.

2 Revenue

The principal activities of the Group comprise ports operations and ports-related operations. Revenue recognised during the year is as follows:

	2008 *HK$'million*	2007 *HK$'million*
Continuing operations		
Ports service and transportation income, container service and container yard management income	4,103	3,318
Gross rental income from investment properties	32	27
	4,135	3,345
Discontinued operations		
Sale of paints and related goods	2,696	2,913
Sale of development properties	—	171
	2,696	3,084
Total	6,831	6,429

3 Segment information

(a) ***Primary reporting format - business segments***

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

	Company and subsidiaries		Share of associates		Share of jointly controlled entities		Total	
	2008 *HK$'million*	2007 *HK$'million*	2008 *HK$'million*	2007 *HK$'million*	2008 *HK$'million*	2007 *HK$'million*	2008 *HK$'million*	2007 *HK$'million*
Continuing operations								
Ports operations	4,103	3,318	7,709	6,354	915	249	12,727	9,921
Ports-related operations	—	—	12,712	11,182	—	—	12,712	11,182
Other operations								
Property investment	32	27	—	—	—	—	32	27
	4,135	3,345	20,421	17,536	915	249	25,471	21,130
Discontinued operations								
Ports-related operations	2,696	2,913	—	—	—	—	2,696	2,913
Other operations								
Toll road	—	—	—	—	—	210	—	210
Property development	—	171	—	—	—	—	—	171
	2,696	3,084	—	—	—	210	2,696	3,294
Total	6,831	6,429	20,421	17,536	915	459	28,167	24,424

An analysis of the Group's results, share of profits of associates and jointly controlled entities by business segments is as follows:

	Company and subsidiaries		Share of profits of associates		Share of profits of jointly controlled entities		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations								
Ports operations	1,621	1,436	2,186	1,902	98	60	3,905	3,398
Ports-related operations	—	—	379	743	—	—	379	743
Other operations								
Property investment	123	149	—	—	—	—	123	149
Toll road	280	—	—	—		—	280	—
Others	3	—	—	—	—	—	3	—
	406	149	—	—	—	—	406	149
	2,027	1,585	2,565	2,645	98	60	4,690	4,290
Unallocated income less expenses							(92)	(142)
Finance income							43	31
Finance costs							(627)	(566)
Taxation							(220)	(174)
Profit for the year from continuing operations							3,794	3,439
Discontinued operations								
Ports-related operations	305	283	—	—	—	—	305	283
Other operations								
Toll road	—	17	—	—	—	119	—	136
Property development	—	13	—	—	—	—	—	13
	305	313	—	—	—	119	305	432
	2,332	1,898	2,565	2,645	98	179		
Gain on disposal of discontinued operations							—	77
Finance income							2	8
Finance costs							(6)	(16)
Taxation							(69)	(45)
Profit for the year from discontinued operations							232	456
Profit for the year							4,026	3,895

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

	Segment assets		Interests in associates		Interests in jointly controlled entities		Segment liabilities		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$' million*	*HK$' million*	*HK$'million*
Ports operations	25,838	23,561	13,266	12,174	2,646	2,368	(6,706)	(8,945)	35,044	29,158
Ports-related operations	—	1,742	4,126	4,030	—	—	—	(929)	4,126	4,843
Other operations										
Property investment	751	700	—	—	—	—	(5)	(5)	746	695
Others	198	19	—	—	—	—	—	—	198	19
	949	719	—	—	—	—	(5)	(5)	944	714
	26,787	26,022	17,392	16,204	2,646	2,368	(6,711)	(9,879)	40,114	34,715
Disposal groups classified as held for sale										
Ports-related operations	1,684	—	—	—	—	—	(642)	—	1,042	—
Other operations										
Toll road	—	446	—	—	—	—	—	—	—	446
	1,684	446	—	—	—	—	(642)	—	1,042	446
	28,471	26,468	17,392	16,204	2,646	2,368	(7,353)	(9,879)	41,156	35,161
Unallocated assets									1,957	609
Unallocated liabilities									(9,776)	(6,827)
Tax recoverable									—	1
Taxation payable									(19)	(37)
Deferred tax assets									27	36
Deferred tax liabilities									(631)	(468)
									32,714	28,475

An analysis of the Group's capital expenditure and depreciation and amortisation by business segments is as follows:

	Capital expenditure		Depreciation and amortisation	
	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations				
Ports operations	2,214	7,895	750	618
Ports-related operations	—	40	—	—
Other operations				
Property investment	—	7	7	7
Others	—	—	1	1
	2,214	7,942	758	626
Discontinued operations				
Ports-related operations	18	—	14	13
	2,232	7,942	772	639

(b) ***Secondary reporting format - geographical segments***

An analysis of Group's revenue and contribution to operating profit by geographical segments is as follows:

	Revenue		Segment results	
	2008	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$million*	*HK$'million*
Continuing operations				
Hong Kong	217	247	393	170
Mainland China	3,918	3,098	1,634	1,415
			2,027	1,585
Unallocated income less expenses			(92)	(142)
Revenue/operating profit from continuing operations	4,135	3,345	1,935	1,443
Discontinued operations				
Hong Kong	126	160	14	16
Mainland China	2,381	2,433	269	253
New Zealand	—	171	—	13
Others	189	320	22	31
Revenue/operating profit from discontinued operations	2,696	3,084	305	313
Revenue/operating profit	6,831	6,429	2,240	1,756

An analysis of the segment assets and capital expenditure by geographical segments is as follows:

	Segment assets		Capital expenditure	
	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Hong Kong	848	567	11	14
Mainland China	25,939	25,455	2,203	7,928
	26,787	26,022	2,214	7,942
Disposal groups classified as held for sale				
Hong Kong	275	446	—	—
Mainland China	1,409	—	18	—
	1,684	446	18	—
	28,471	26,468	2,232	7,942

4 Other gains, net and other income

	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Other gains, net						
Increase in fair value of investment properties	68	132	—	—	68	132
(Loss)/gain on disposal of property, plant and equipment and land use rights	—	10	(1)	—	(1)	10
Gain on disposal of an available-for-sale financial asset	11	—	—	—	11	—
Realisation of investment revaluation reserve upon disposal of an available-for-sale financial asset	269	—	—	—	269	—
Gain on disposal of a subsidiary	33	—	—	—	33	—
Gain on deemed disposal of partial interest in a jointly controlled entity	15	—	—	—	15	—
Gains on disposal of jointly controlled entities	—	—	—	13	—	13
Net foreign exchange gains/(losses)	101	46	(21)	7	80	53
	497	188	(22)	20	475	208

	Continuing operations		Discontinued operations		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Other income						
Income from held-to-maturity investments	1	1	—	4	1	5
Dividend income	21	13	—	—	21	13
Others	26	7	6	6	32	13
	48	21	6	10	54	31

5 Expenses by nature

	Continuing operations		Discontinued operations		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Changes in finished goods	—	—	19	—	19	—
Cost of raw materials and consumables used	—	—	1,964	2,223	1,964	2,223
Cost of development properties sold	—	—	—	140	—	140
Staff costs (including Directors' emoluments)	547	521	113	120	660	641
Depreciation of property, plant and equipment	627	499	13	12	640	511
Amortisation of leasehold land and land use rights	131	127	1	1	132	128
Auditor's remuneration	13	13	2	2	15	15
Operating lease rentals in respect of						
- land and buildings	112	86	10	12	122	98
- plant and machinery	29	25	—	1	29	26
Other expenses	1,286	840	253	290	1,539	1,130
Total cost of sales, distribution costs and administrative expenses	2,745	2,111	2,375	2,801	5,120	4,912

6 **Finance income and costs**

	Continuing operations		Discontinued operations		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Interest expense on:						
Bank borrowings, wholly repayable within five years	(213)	(228)	(6)	(12)	(219)	(240)
Bank borrowings, not wholly repayable within five years	—	(17)	—	—	—	(17)
Listed notes payable, wholly repayable within five years	(79)	—	—	—	(79)	—
Listed notes payable, not wholly repayable within five years	(273)	(212)	—	—	(273)	(212)
Amounts due to minority shareholders of subsidiaries	—	—	—	(4)	—	(4)
Loans from the ultimate holding company	(75)	(4)	—	—	(75)	(4)
Other financial liabilities	(36)	(152)	—	—	(36)	(152)
Total borrowing costs incurred	(676)	(613)	(6)	(16)	(682)	(629)
Less: amount capitalised in assets under construction	49	47	—	—	49	47
Finance cost	(627)	(566)	(6)	(16)	(633)	(582)
Interest income from:						
Bank deposits	42	29	2	8	44	37
Available-for-sale financial assets	1	2	—	—	1	2
Finance income	43	31	2	8	45	39
Finance costs - net	(584)	(535)	(4)	(8)	(588)	(543)

Capitalisation rate of 4.698% (2007: 5.678%) per annum was used, representing the weighted average rate of the costs of borrowings used to finance the assets under construction.

7 **Taxation**

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to the PRC corporate income tax law of the People's Republic of China. The PRC corporate income tax rate for foreign invested enterprises established in PRC is 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011 respectively. 25% standard rate will be applied from year 2012 onwards. The Group's certain subsidiaries were exempted from the PRC corporate income tax in the first five profit making years and followed by a 50% reduction in the PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from previous years or 1 January 2008. 10% withholding income tax is also to be imposed on dividends relating to profits earned in year 2008 and onwards to foreign investors starting from 1 January 2008. For investors incorporated in Hong Kong and Singapore, preferential rate of 5% will be applied.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Continuing operations		**Discontinued operations**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Hong Kong profits tax						
Current year	—	3	2	5	2	8
Under/(over) provision in prior years	—	—	1	(1)	1	(1)
PRC corporate income tax						
Current year	70	54	68	33	138	87
Under provision in prior years	—	35	—	—	—	35
Overseas taxation						
Current year	—	—	—	9	—	9
Deferred taxation						
Charged/(credited) for the year	150	(11)	5	(1)	155	(12)
Effect of change in tax rate	—	93	(7)	—	(7)	93
	220	174	69	45	289	219

8 **Discontinued operations and disposal groups classified as held for sale**

(a) ***Discontinued operations***

On 15 November 2008, the Group entered into an agreement to sell its entire equity interest in Hempel-Hai Hong, a subsidiary of the Group, to the minority shareholder of Hempel-Hai Hong. Hempel-Hai Hong mainly engaged in sale of paints and related goods. The assets and liabilities related to Hempel-Hai Hong have been presented as held for sale as at 31 December 2008. The transaction was completed on 5 January 2009.

On 11 July 2007, the Group disposed of its entire equity interest and preference shareholding in CMHP, a subsidiary of the Group, to a fellow subsidiary. CMHP mainly engaged in toll road operation and property development.

The aggregate results and cash flows of the discontinued operations of Hempel-Hai Hong and CMHP included in the consolidated income statement and the consolidated cash flow statement for the year ended 31 December 2008 and 2007 are set out below.

	2008	**2007**
	HK$'million	*HK$'million*
Revenue	2,696	3,084
Cost of sales	(1,983)	(2,363)
Gross profit	713	721
Other (losses)/gains, net	(22)	20
Other income	6	10
Distribution costs	(345)	(327)
Administrative expenses	(47)	(111)
Operating profit	305	313
Finance income	2	8
Finance costs	(6)	(16)
Finance costs, net	(4)	(8)
Share of profits of jointly controlled entities	—	119
Profit before taxation	301	424
Taxation	(69)	(45)
Profit after taxation	232	379
Gain on disposal of discontinued operations	—	77
Profit for the year from discontinued operations	232	456
Attributable to:		
Shareholders of the Company	148	331
Minority interest	84	125
	232	456
Net cash inflow from operating activities	380	—
Net cash (outflow)/inflow from investing activities	(16)	113
Net cash (outflow)/inflow from financing activities	(169)	203
Net cash inflow from discontinued operations	195	316

(b) ***Disposal groups classified as held for sale***

	2008 *HK$'million*	2007 *HK$'million*
Assets of disposal groups classified as held for sale		
Land use rights	34	—
Property, plant and equipment	95	—
Deferred income tax assets	13	—
Inventories	264	—
Trade and other receivables	878	—
Cash and cash equivalents	365	—
Other financial assets (note)	—	446
Other current assets	35	—
	1,684	446
Liabilities of disposal group classified as held for sale		
Creditors and accruals	528	—
Other financial liabilities	75	—
Amount due to a fellow subsidiary	3	—
Taxation payable	27	—
Other current liabilities	9	—
	642	—
Reserves recognised directly in equity relating to disposal groups classified as held for sale		
Capital reserve	52	—
Translation reserve	19	—
	71	—

Note:

On 21 February 2008, the Group entered into an agreement with a third party to dispose of its 13% equity interest in Western Harbour Tunnel Company Limited, an available-for-sale financial asset at a cash consideration of HK$460 million and had classified the investment as asset held for sale as at 31 December 2007. The transaction was completed on 8 August 2008. The gain of disposal of HK$280 million (including realisation of investment revaluation reserve of HK$269 million) has been recognised in the consolidated income statement during the year.

9 Dividends

	2008 *HK$'million*	2007 *HK$'million*
Interim, paid, of 28 HK cents (2007: 20 HK cents) per share	675	480
Final, proposed, of 40 HK cents (2007: 45 HK cents) per share	969	1,083
	1,644	1,563

At a meeting held on 20 April 2009, the Directors proposed a final dividend of 40 HK cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these financial statements.

The amount of proposed final dividend for 2008 was based on 2,423,435,842 (2007: 2,406,413,200) shares in issue as at 20 April 2009.

10 Earnings per share

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

Basic	**Continuing operations**	**Discontinued operations**	**Total**
For the year ended 31 December 2008			
Profit attributable to the shareholders of the Company (HK$'million)	3,558	148	3,706
Weighted average number of ordinary shares in issue	2,422,620,642	2,422,620,642	2,422,620,642
Basic earnings per share (HK cents)	146.84	6.13	152.97
For the year ended 31 December 2007			
Profit attributable to the shareholders of the Company (HK$'million)	3,214	331	3,545
Weighted average number of ordinary shares in issue	2,370,334,871	2,370,334,871	2,370,334,871
Basic earnings per share (HK cents)	135.58	13.95	149.53

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume all outstanding options had been exercised at nil consideration.

Diluted	**Continuing operations**	**Discontinued operations**	**Total**
For the year ended 31 December 2008			
Profit attributable to the shareholders of the Company (HK$'million)	3,558	148	3,706
Weighted average number of ordinary shares in issue	2,422,620,642	2,422,620,642	2,422,620,642
Adjustment for share options	8,703,306	8,703,306	8,703,306
Weighted average number of ordinary shares for diluted earnings per share	2,431,323,948	2,431,323,948	2,431,323,948
Diluted earnings per share (HK cents)	146.32	6.11	152.43
For the year ended 31 December 2007			
Profit attributable to the shareholders of the Company (HK$'million)	3,214	331	3,545
Weighted average number of ordinary shares in issue	2,370,334,871	2,370,334,871	2,370,334,871
Adjustment for share options	14,513,217	14,513,217	14,513,217
Weighted average number of ordinary shares for diluted earnings per share	2,384,848,088	2,384,848,088	2,384,848,088
Diluted earnings per share (HK cents)	134.75	13.87	148.62

11 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$433 million (2007: HK$1,668 million).

The Group has a credit policy of allowing an average credit period of 90 days to its trade customers. The ageing analysis of trade debtors is as follows:

	2008 *HK$'million*	**2007** *HK$'million*
Not yet due	142	587
1 - 30 days	163	366
31 - 60 days	69	291
61 - 120 days	47	238
Over 120 days	12	186
	433	1,668

12 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$70 million (2007: HK$615 million). The ageing analysis of trade creditors is as follows:

	2008	2007
	HK$'million	*HK$'million*
0 - 30 days	54	550
31 - 60 days	6	49
61 - 120 days	4	11
Over 120 days	6	5
	70	615

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have recommended the payment of a final scrip dividend for the year ended 31 December 2008 of 40 HK cents per share (2007: 45 HK cents), payable on or around 17 July 2009 to the shareholders whose names appear on the Register of Members of the Company as at the date of the 2009 Annual General Meeting, with an alternative to the shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment (the "Scrip Dividend Scheme").

Subject to the approval by shareholders in the 2009 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 16 June 2009. 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 dispatched to shareholders on or around 17 July 2009.

CLOSURE OF REGISTER

The Register of Members will be closed from 27 May 2009 to 2 June 2009 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 26 May 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The year 2008 saw exceptional complexity for both domestic and international economic environment. Catalysed by Lehman Brothers' bankruptcy in September 2008, the U.S. subprime crisis rapidly evolved into a financial turmoil of a global scale that is unseen of. Such turbulence began to deeply hurt the real economy of the world, as reflected in the significant weakening of consumption demand in and hence imports by major developed economies in Europe and America leading, in turn, to contraction in international trade volume. Impacted by the prevailing global economy as well as the transformation of China's economic structure and its development pattern, China's growth rate of aggregate import and export trade decreased by 5.7 percentage points over that of 2007, in particular negative growth emerged in China's import and export trade for the fourth quarter. In 2008, China saw different magnitudes of decline in growth rates for its exports to major trade partners. Whilst, under the circumstance, the Group's business has unavoidably been affected, the volume of container throughput handled by the Group continued to grow and for the first time exceeded 50 million TEUs for the year.

In enhancing its competitiveness in the face of prevailing changes in the market environment and rivalry surrounding, the Group has stepped up the efforts in adjusting and integrating its resources with a view to ensuring resources were so allocated as to result in an improved effectiveness and utilization efficiency. During the year, efforts towards joint market-development programmes, ancillary facility establishment within the Western Shenzhen Port Zone, operation support, technology sharing and environmental protection have all been reinforced and would, it is expected, elevate the Group's overall operational capability.

For the year ended 31 December 2008, the profit attributable to shareholders of the Company amounted to HK$3,706 million, representing a year-on-year increase of 4.5%. Of this amount, recurrent profit amounted to HK$3,312 million, representing a decrease of 2.7%. The Group's core segment of ports operations recorded an EBITDA of HK$6,322 million, representing a year-on-year increase of 22.4%. The share of EBITDA from this segment relative to the Group's total in 2008 increased to 84.2% from 77.2% last year.

In 2008, revenue of the Group (including discontinued operations) amounted to HK$6,831 million (an increase of 6.3% year-on-year), of which HK$4,103 million was contributed by the Group's core ports operations (which represented an increase of 23.7% over that of last year).

Ports operations

During the year under review, EBIT derived from the Group's ports operations amounted to HK$4,680 million, representing an increase of 19.1% year-on-year. The share of EBIT from this segment relative to the Group's total also rose to 82.6% from 75.1% of last year.

In 2008, the port projects in which the Group is interested handled a total container throughput volume of 50.48 million TEUs, an increase of 7% over the same figure for last year. Of this volume, those handled by the Group's ports in Mainland China reached 43.58 million TEUs, an increase of 9% year-on-year. Western Shenzhen Port Zone handled 11.58 million TEUs, representing a year-on-year increase of 5% which was higher than the average for Shenzhen alongside an increase in the Group's share in Shenzhen. SIPG recorded a container throughput total of 28.01million TEUs, an increase of 7% year-on-year whereas Ningbo Daxie Port recorded a throughput of 1.09 million TEUs, representing a substantial increase of 56% over that a year ago. Tianjin Five Continents International Container Terminal Co., Ltd. handled 1.94 million TEUs, or a slight decrease of 2% from that of last year. Zhangzhou Port recorded a throughput of 360,000 TEUs, an increase of approximately 51%. Qingdao Port recorded a throughput of 360,000 TEUs. The Group's ports in Hong Kong recorded a throughput of 6.9 million TEUs, a slight decrease of 2% year-on-year.

Container throughput by locations of the Group's port operations

	2008 ('000 TEUs)	**2007 ('000 TEUs)**	**Year-on-year change**
Western Shenzhen	11,582	11,034	5.0%
Hong Kong	6,898	7,002	-1.5%
Yangtze River Delta	29,096	26,850	8.4%
Bohai Rim	2,299	1,989	15.6%
Southeastern Coastal	362	240	50.8%
Southwestern Coastal	240	—	n/a

The Group's ports handled 211 million tons of bulk cargoes in 2008, representing a year-on-year increase of 32%. The increase was mainly derived from the contribution of bulk cargoes handled from ZPG, in which the Group invested in December 2007. During the year, Western Shenzhen Port Zone handled 33.21 million tons of bulk cargoes, basically the same level as in the previous year. Zhangzhou Port handled 5.83 million tons of bulk cargoes, an increase of 14% year-on-year. SIPG handled 116 million tons of bulk cargoes, and ZPG handled 56.06 million tons of bulk cargoes.

In 2008, under its plan to strengthen the capabilities of its homebase at Western Shenzhen, the Group has completed the development of No.8 berth at Shekou container terminals and of warehouse phases 3 and 4 of the warehouse facilities at China Merchants Maritime & Logistics Shenzhen Ltd. In addition to having persuaded the Shenzhen Municipal Government to address the problems encountered by large vessels navigating through the Tonggu Channel, the Group has successfully launched a scheduled "sea-rail linked" freight trains service connecting Western Shenzhen Port Zone and Changsha thereby extending the reach-out of Western Shenzhen ports to Hunan via a smooth inter-modal connectivity. Approval for the establishment of Shenzhen Qianhaiwan into a duly licensed Bonded Port Zone was granted during the year. Coupled with the acquisition of a majority stake in a cold storage project at Shekou ("China Merchants Cold Chain Logistics (China) Company Limited") to handle frozen imports via containers, the Group has also obtained the due qualification for inspecting (and endorsing) frozen imports of meat and aqua produce at the cold storage. These measures combined are expected to significantly improve the operational capabilities and the related ancillary logistics environment at the Group's Western Shenzhen Port Zone, and to reinforce the operation base from which the Group's ports source support, thereby further expanding the ability of the Group's ports in offering a comprehensive range of integrated logistics services.

In 2008, the Group for a sum of HK$924 million acquired 5.4% equity interests in NPG. In addition, the Group continued its pursuance, in co-operation with two other partners, the proposed development of a new container terminal facility at Port C Zone of Ningbo Daxie. The investments in the above-mentioned two projects combined would not only deepen the Group's involvement in Ningbo's port market but also help to further anchor the Group's port layout in the Yangtze River Delta.

In September 2008, the Group formally signed a joint venture agreement with its partner in Vietnam for the development and operation of a deepwater port located at Sao Mai-Ben Dinh. This in essence marked the Group's first meaningful move towards expanding overseas. On 22 October 2008, in the presence of Wen Jiabao, Premier of the PRC, and Nguyen Tan Dung, Prime Minister of Vietnam, China Merchants Group, a substantial shareholder of the Company, entered into a framework co-operation agreement with Petro Vietnam in relation to a number of projects including Sao Mai-Ben Dinh port in Vietnam. The Group will participate in the investment and development of the port project.

Ports-related operations

During the year, EBIT from the Group's ports-related operations amounted to HK$585 million, representing a decrease of 31.4% compared to that of the last year.

The severe impact caused by the global economic slowdown on the maritime market has led to a sharp contraction in the demand for new containers in the second half of 2008, which has in turn caused CIMC Group's container sales to drop. CIMC Group's container sales in 2008 amounted to 1.56 million TEUs, a decrease of 26% when compared to that of last year. With weakened demand from European and U.S. markets, CIMC Group also recorded unsatisfactory sales of transportation vehicles sales in the year with a total sales of 110,000 units, basically the same level as the last year.

During the year, the Group agreed to dispose of its 64% equity interests in Hempel-Hai Hong, another step taken to further streamline the Group's asset structure gravitating towards the ports sector. The transaction was completed in January 2009.

Other business

During the year, the Group completed the disposal of its equity interests in Hong Kong Western Harbour Tunnel. Having modified in recent years its various asset holding structures, the Group has completely disposed of its toll roads portfolio.

Liquidity and treasury policies

As at 31 December 2008, the Group had approximately HK$2,806 million in cash, 37.8% of which was denominated in Hong Kong dollars, 43.8% in United States dollars, 17.6% in Renminbi and 0.8% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports and ports-related businesses, and investment returns from associates and jointly controlled entities. Together these two sources contributed more than HK$3,717 million in total. On 18 June 2008, the Group issued US$300 million and US$200 million guaranteed listed notes maturing in 2013 and 2018 respectively. The net proceeds of the listed notes was US$494 million. The net proceeds was used for general corporate purposes by the Group, including the repayment of existing indebtedness.

During the year, the Group's capital expenditure amounted to HK$2,232 million. While spending investment expenditure has been expanding, the Group continues to adhere to a prudent financial policy and maintain a sound financial position through the keeping of adequate level of cash to meet its daily operating requirements. In addition, as a significant portion of the Group's bank loans are medium- to long-term borrowings while the Group supported by adequate undrawn bilateral facilities does not anticipate any difficulty in renewing its short-term loans, the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 31 December 2008, the Company had 2,423,435,842 shares in issue. During the year, the Company issued 2,076,000 new shares upon the exercise of share options and received HK$39 million as a result. Other than the above-mentioned newly issued shares, the Company issued 15,248,642 shares under the Company's scrip dividend scheme.

As at 31 December 2008, the Group's net gearing ratio (Net interest-bearing debts divided by net assets attributable to the Company's shareholders) was approximately 37.2%, an increase of approximately 3.3 percentage points over last year.

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.

As at 31 December 2008, the Group's outstanding interest-bearing debts, all unsecured, were analyzed as below:

	2008	**2007**
	HK$' million	*HK$' million*
Floating-rate bank borrowings which are repayable:		
Within 1 year	1,175	2,294
Between 1 and 2 years	896	835
Between 2 and 5 years	1,582	1,726
Not wholly repayable within 5 years	79	650
	3,732	5,505
Fixed-rate listed notes payables are repayable:		
In 2013	2,307	—
In 2015	3,857	3,880
In 2018	1,525	—
	7,689	3,880
Loans from the ultimate holding company	2,649	939

The interest bearing debts are denominated in the following currencies:

	2008				2007			
	Bank loans	**Listed notes payable**	**Loans from the ultimate holding company**	**Total**	**Bank loans**	**Listed notes payable**	**Loans from the ultimate holding company**	**Total**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Hong Kong dollar & United States dollar	3,081	7,689	—	10,770	3,861	3,880	—	7,741
Renminbi	651	—	2,649	3,300	1,644	—	939	2,583
	3,732	7,689	2,649	14,070	5,505	3,880	939	10,324

Assets charge

As at 31 December 2008, the Group did not have any charge over its assets.

Employees and remuneration

As at 31 December 2008, the Company and its subsidiaries employed 5,055 full time staff, of which 64 worked in Hong Kong, 3 overseas and the remaining 4,988 were in the PRC. The remuneration paid for the full year amounted to HK$660 million, representing 12.9% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to 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.

Prospects and Outlook

The global financial crisis induced by the sub-prime crisis in the U.S. has cast a severe impact on the real economy of the world, causing a dramatic slowdown in the global economic growth. The International Monetary Fund recently projects that the growth rate of the global economy could decline 0.5% to 1% in 2009, the first decline to be had in the last 60 years with certain developed economies expected to be in serious recession. Up to the time of writing this report, there is little evidence to reflect that the financial crisis is receding and the economy is recovering. Outlook for China's foreign trade in 2009 remains highly uncertain.

As regards domestic China, the Chinese Government will adopt a series of macroeconomic control measures to stimulate China's economic development and maintain economic growth with a view to addressing the prevailing financial crisis. These measures include the announced RMB4 trillion state investment package, the vitalization plan for ten major industries, support for the development of key sectors, and an adequately loosened monetary policy. The Group believes that China will play an important role in revitalizing the global economy. For China's foreign trade, the Ministry of Commerce of the PRC will apply supportive measures involving the use of financial, tax and monetary policies, exploring new markets, improving product mix structures, promoting service trade, and expanding imports. These measures aim to ensure external demand is stabilized with which to support and to sustain domestic employment and earnings streams of labourers, in turn to stimulate domestic consumption. In addition, through these measures more opportunities are expected to be created, thereby ensuring the stability of China's foreign trade. The Group therefore believes that the port industry in China will continue to benefit from the development of foreign trade.

Alongside the steady development of the container business and the increasing domestic demand, the Group expects the container handling market servicing domestic trade to also command significant growth potential. Statistics published by China Ports & Harbors Association reveal that the domestic trade-related container throughput increased 13 times from 2.21 million TEUs in 2001 to over 30 million TEUs in 2008. The share of domestic trade-related containers in China's total container throughput rose from 8% to over 24% during the same period. The large-scale investments in fixed assets initiated by the Chinese government aimed at stimulating the domestic economy will cause domestic trade to more flourish, which trend will be correspondingly reflected in the throughputs of ports. At the same time as it continues to develop its ports operations to service foreign trade, the Group will actively explore opportunities that capture domestic trade-related potential. The Group maintains a leading position in handling domestic trade-related containers in Shenzhen whereas growth gained in other coastal ports has been satisfactory. The Group believes that the domestic trade-related container business will support the Group's business growth for a long time.

In addition, the capabilities offered by Shenzhen Qianhaiwan Bonded Port Zone are expected to attract more customers from not only the Pearl River Delta but also the hinterlands of Southwest and Central China to utilize the facilities available at the ports in Western Shenzhen. These capabilities will also help enhance the integrated functions of the Western Shenzhen Port Zone, thereby further elevating the overall competitiveness of the ports and vitalising the proximity's development. Therefore, the Group will benefit directly from the establishment of the Qianhaiwan Bonded Port Zone.

In the coming year, the Group will intensify its efforts in market research with a view to formulating succinctly relevant market strategies. It will step up efforts to explore the domestic trade-related container market and expand the hinterland coverage through the South China Shuttle service and the sea-rail inter-modal transport connectivity in Southern China. The Group will also expand the international trans-shipment business by leveraging on the incentive policies that come with the establishment of the bonded port zones. Moreover, it will continue to seek to further improve qualities of its internal management and customer service as well as to improve the software and hardware environment for the operation of its ports. Meanwhile, the Group will closely monitor changes in the external environment and build up a risk assessment system based on its analysis and knowledge of the overall situation, and take measures - such as implementing refined management control, streamlining its operational processes so as to reduce costs and reducing cutting non-operation expenses - all aimed towards improving the profitability of the Group.

In addition, the Group will continue to adopt a cautious and prudent approach to control within reasons its investment scale whilst managing the pace of development of its key projects. It will proactively follow the trend of the international maritime and ports market with a view to capturing investment opportunities with strategic importance.

The Group is confident that, upon the implementation of the macroeconomic control measures by the Chinese Government and the collective launch by the world in battling against the prevailing economic crisis, and combined with the industrial management experience the Group has accumulated over the years in ports operation and its prudent operating strategy, the Group is able to withstand the impact of foreign trade growth slowing down on the industry in which it operates. With the recovery of market confidence and the economic revival after the crisis, the Group's business will maintain its stability and it will be able to capture better economic benefits and investment returns for shareholders.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2008.

CORPORATE GOVERNANCE

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

The Company has adopted 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, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

In November 2004, the Stock Exchange promulgated the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions ("Code Provisions") with which the listed issuers are expected to follow and comply. In the opinion of the Directors, save as disclosed below, the Company has complied with the Code Provisions set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008.

Code Provision A.2.1

Dr. Fu Yuning, the Chairman of the Company, has also been acting as the Managing Director of the Company with effect from 31 May 2005. Having performed the roles of the Chairman and the Managing Director of the Company for over three years, the Board considers that as Dr. Fu has been leading the Company and is most aware of the Company's strategic policies and development, it is in the best interests of the Company for the roles of Chairman and Managing Director to be combined and performed by Dr. Fu to faciliate the efficient formulation and implementation of the Company's strategies thereby enabling the Company to seize business opportunities promptly and efficiently.

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

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

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2008 annual report will be published on the website of the Stock Exchange in due course. Statutory financial statements for the year ended 31 December 2008, which contain an unqualified auditor's report, will be delivered to the Registrar of Companies, and despatched to shareholders as well as made available on the Company's website at http://www.cmhi.com.hk.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 20 April 2009

ABBREVIATIONS

"Board"	the board of Directors
"CIMC Group"	China International Marine Containers (Group) Co., Ltd.
"CMHP"	China Merchants Holdings (Pacific) Limited
"Company"	China Merchants Holdings (International) Company Limited
"Directors"	the directors of the Company
"EBIT"	earnings before net interests, tax, unallocated income less expenses and minority interest ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities
"EBITDA"	earnings before net interests, tax, depreciation and amortisation, unallocated income less expenses and minority interest ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities

"Group"	the Company and its subsidiaries
"Hempel-Hai Hong"	Hempel-Hai Hong (China) Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Ningbo Daxie Port"	Ningbo Daxie China Merchants International Terminals Company Limited
"NPG"	Ningbo Port Group Limited
"PRC"	the People's Republic of China
"Qingdao Port"	China Merchants International Container Terminal (Qingdao) Co., Ltd.
"SIPG"	Shanghai International Port (Group) Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Zhangzhou Port"	Zhangzhou China Merchants Port Company Limited
"ZPG"	Zhanjiang Port (Group) Co., Ltd.

As at the date of this announcement, the Board comprises Dr. Fu Yuning, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Yu Liming, Mr. Hu Jianhua, Mr. Wang Hong and Mr. To Wing Sing as executive Directors, Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David as independent non-executive Directors.