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

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

- **Profit attributable to equity holders of the Company increased by 81.5% to HK$5,876 million (2009: HK$3,238 million)**
- **Profit from continuing operations attributable to equity holders of the Company increased by 114.0% to HK$5,876 million (2009: HK$2,746 million)**
- **Basic earnings per share increased by 79.6% to 239.13 HK cents (2009: 133.18 HK cents)**
- **Throughput of containers handled by the Group rose 19.2% to 52,280,000 TEUs (2009: 43,870,000 TEUs)**
- **Throughput of bulk cargoes handled by the Group rose 21.1% to 281,000,000 tons (2009: 232,000,000 tons)**

2010 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**2010** *HK$'million*	**2009** *HK$'million*
Continuing operations			
Revenue	2	5,811	3,588
Cost of sales	5	(3,025)	(2,055)
Gross profit		2,786	1,533
Other gains, net	4	1,975	190
Other income	4	139	206
Distribution costs	5	(21)	—
Administrative expenses	5	(690)	(388)
Operating profit		4,189	1,541
Finance income	6	112	16
Finance costs	6	(753)	(668)
Finance costs - net	6	(641)	(652)
Share of profits less losses of			
Associates		3,366	2,226
Jointly controlled entities		324	128
Profit before taxation		7,238	3,243

	Note	**2010** *HK$'million*	**2009** *HK$'million*
Taxation	7	(558)	(278)
Profit for the year from continuing operations		6,680	2,965
Discontinued operation			
Profit for the year from discontinued operation	8	—	492
Profit for the year		6,680	3,457
Attributable to:			
Equity holders of the Company			
- continuing operations		5,876	2,746
- discontinued operation		—	492
		5,876	3,238
Non-controlling interests			
- continuing operations		804	219
Profit for the year		6,680	3,457
Dividends	9	2,528	1,386
Earnings per share for profit attributable to equity holders of the Company	10		
From continuing operations			
- basic (HK cents)		239.13	112.94
- diluted (HK cents)		238.52	112.87
From discontinued operation			
- basic (HK cents)		—	20.24
- diluted (HK cents)		—	20.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	HK$'million	*HK$'million*
Profit for the year	6,680	3,457
Other comprehensive income:		
Realisation of investment revaluation reserve of an available-for-sale financial asset upon step acquisition of subsidiaries	(214)	—
Realisation of reserves upon disposal of subsidiaries	—	(19)
Realisation of reserves of associates upon step acquisition of subsidiaries	(255)	—
Realisation of reserves of a jointly controlled entity upon step acquisition of subsidiaries	(3)	—
Share of investment revaluation reserves of associates	(156)	186
Share of capital reserve of an associate	(66)	56
Share of investment revaluation reserve of a jointly controlled entity	3	—
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	1,348	38
Increase in fair value of available-for-sale financial assets, net of deferred taxation	52	1,023
Share of net actuarial (losses)/gains on defined benefit plans of associates and a jointly controlled entity	(17)	121
Total other comprehensive income for the year, net of tax	692	1,405
Total comprehensive income for the year	7,372	4,862
Total comprehensive income attributable to:		
- equity holders of the Company	6,179	4,645
- non-controlling interests	1,193	217
	7,372	4,862

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	**2010** *HK$'million*	**2009** *HK$'million (restated)*
ASSETS			
Non-current assets			
Intangible assets		3,389	2,513
Property, plant and equipment		16,835	10,990
Investment properties		3,662	919
Land use rights		9,683	6,893
Interests in associates		23,701	18,787
Interests in jointly controlled entities		4,589	2,742
Other financial assets		2,418	2,837
Prepayments		342	68
Deferred tax assets		114	34
		64,733	45,783
Current assets			
Inventories		159	40
Properties under development and held for sale		2,241	—
Other financial assets		382	—
Debtors, deposits and prepayments	11	4,484	886
Cash and cash equivalents		6,352	3,206
		13,618	4,132
Non-current assets held for sale	12	—	2,553
		13,618	6,685
Total assets		78,351	52,468

	Note	**2010** *HK$'million*	**2009** *HK$'million (restated)*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		246	243
Reserves		36,878	32,541
Proposed dividend		1,918	779
		39,042	33,563
Non-controlling interests		10,329	2,056
Total equity		49,371	35,619
LIABILITIES			
Non-current liabilities			
Loans from the ultimate holding company		938	—
Loans from an intermediate holding company		587	—
Other financial liabilities		14,144	9,298
Deferred tax liabilities		2,065	736
		17,734	10,034
Current liabilities			
Creditors and accruals	13	4,382	1,593
Loans from the ultimate holding company		1,748	2,566
Loans from an intermediate holding company		—	738
Other financial liabilities		4,855	1,857
Taxation payable		261	61
		11,246	6,815
Total liabilities		28,980	16,849
Total equity and liabilities		78,351	52,468
Net current assets/(liabilities)		2,372	(130)
Total assets less current liabilities		67,105	45,653

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 and financial assets 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 2010, the Group adopted the following revision and amendments to existing Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which became effective for accounting periods beginning on or after 1 January 2010.

Except for the adoption of HKAS17 (Amendment) "Leases"which required restatement of prior years' consolidated financial statements, no other adjustments have been made to the prior years' consolidated financial statements.

- HKFRS 3 (Revised) "Business combinations", and consequential amendments to HKAS 27 "Consolidated and separate financial statements", HKAS 28 "Investments in associates", and HKAS 31 "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes as compared with HKFRS 3. For example: (i) all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement; (ii) there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets; (iii) all acquisition-related costs are expensed. As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) "Consolidated and separate financial statements", at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has adopted the revised Standards to all business combinations prospectively from 1 January 2010.

  The revised standard was applied to all acquisition during the year. For step acquisition of China Nanshan Development (Group) Incorporation ("Nanshan Group"). It requires goodwill to be determined only at the date, control is obtained rather than at the previous stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value, with any gain or loss recorded in the consolidated income statement. Acquisition-related costs of HK$10 million have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. The Group has chosen to recognise the non-controlling interest at the proportionate share of net assets of Nanshan Group rather than fair value. Previously, only proportionate share of net assets is allowed.

- HKFRS 5 (Amendment) "Non-current assets held for sale and discontinued operations" under the first improvements to HKFRSs (2008) issued in October 2008 and under second improvements to HKFRSs (2009) issued in May 2009 by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The amendment requires that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The amendment also specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of HKAS1 (Amendment) "Presentation of financial statements" still apply, in particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

- HKAS 17 (Amendment) "Lease" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	As at 31 December 2010 HK$'million	As at 31 December 2009 HK$'million	As at 1 January 2009 HK$'million
Decrease in leasehold land and land use rights	(143)	(146)	(149)
Increase in property, plant and equipment	143	146	149

Revised Standard that is not effective in 2010 but has been early adopted by the Group.

- HKAS 24 (Revised) "Related party disclosures" (effective from 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose: (i) the name of the government and the nature of their relationship; (ii) the nature and amount of any individually significant transactions; and (iii) the extent of any collectively significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group has partially early adopted the exemption for disclosures of transactions among government-related entities and the government since 1 January 2009.

The other amendments and interpretations to existing Standards effective in 2010 do not have significant impact to the Group.

2 Revenue

The principal activities of the Group comprise ports operations, bonded logistics and cold chain operations, ports-related manufacturing operations and property development and investment. Revenue consists of turnover recognised under the following business activities during the year:

	2010 HK$'million	2009 HK$'million
Ports service, transportation income, container service and container yard management income	5,008	3,427
Logistics services income (including rental income)	645	129
Sales of properties and goods	126	—
Gross rental income from investment properties	32	32
	5,811	3,588

3 Segment information

The Chief Operation Decision-Maker ("CODM") has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM considers the Group's operations from both business and geographic perspective. Following the step acquistion of China Nanshan Development (Group) Incorporation, the segment information reviewed by CODM has been amended. From a business perspective, management assesses the performance of business operations including ports operations, bonded logistics and cold chain operations, ports-related manufacturing operations and other operations. Ports operations are further evaluated on a geographic basis including Shenzhen, Hong Kong, Ningbo and Shanghai and other locations. The segment information presented in the prior year has been restated accordingly.

Ports operations include container terminal operation, bulk and general cargo terminal operation operated by the Group and the Group's associates and jointly controlled entities. 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 the Group's associates and jointly controlled entities. Ports-related manufacturing operations includes construction of modular housing and container manufacturing operated by the Group and the Group's associates. Other operations include property development and investment and corporate functions.

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

The Group is domiciled in Mainland China. Over 90% of its non-current assets are located in Mainland China and over 90% of its revenue are derived from ports operations in Mainland China. There is no single customer who accounted for over 10% of the Group's total revenue.

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

For the year ended 31 December 2010

	Ports operations					Bonded logistics & cold chain operations	Ports-related manufacturing operations	Other operations	Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total			Property development and investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue									
Company and subsidiaries	4,364	208	—	436	5,008	645	121	37	5,811
Share of associates	1,383	877	4,500	48	6,808	231	15,619	352	23,010
Share of jointly controlled entities	21	20	242	1,122	1,405	—	—	371	1,776
Total	5,768	1,105	4,742	1,606	13,221	876	15,740	760	30,597

For the year ended 31 December 2009

	Ports operations					Bonded logistics & cold chain operations	Ports-related manufacturing operations	Other operations	Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total			Property development and investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue									
Company and subsidiaries	2,966	175	—	286	3,427	129	—	32	3,588
Share of associates	2,344	767	3,801	—	6,912	128	5,751	—	12,791
Share of jointly controlled entities	31	10	192	674	907	—	—	—	907
Total	5,341	952	3,993	960	11,246	257	5,751	32	17,286

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

	For the year ended 31 December 2010										
	Ports operations					Bonded logistics & cold chain operations	Ports-related manufacturing operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Continuing operations											
Operating profit/(loss), net of gain on remeasurement of previously held interest upon step acquisition of subsidiaries	2,092	23	85	159	2,359	357	(10)	237	(132)	105	2,811
Share of profits less losses of											
- Associates	341	348	1,591	(4)	2,276	75	921	94	—	94	3,366
- Jointly controlled entities	3	1	69	244	317	—	—	7	—	7	324
	2,436	372	1,745	399	4,952	432	911	338	(132)	206	6,501
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries											1,378
Finance costs - net	(52)	—	—	(78)	(130)	(80)	(9)	43	(465)	(422)	(641)
Taxation	(282)	(4)	(85)	(11)	(382)	(102)	(44)	(29)	(1)	(30)	(558)
Profit/(loss) for the year from continuing operations	2,102	368	1,660	310	4,440	250	858	352	(598)	(246)	6,680
Non-controlling interests	(643)	—	—	(9)	(652)	(68)	(67)	(17)	—	(17)	(804)
Profit/(loss) attributable to equity holders of the Company	1,459	368	1,660	301	3,788	182	791	335	(598)	(263)	5,876
Other information:											
Continuing oprations											
Depreciation and amortisation	655	8	—	188	851	129	20	13	6	19	1.019
Capital expenditure (excluding capital expenditure from step acquisition of subsidiaries)	493	7	—	97	597	1,011	32	14	—	14	1.654

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

	For the year ended 31 December 2009										
	Ports operations					Bonded logistics & cold chain operations	Ports-related manufacturing operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Continuing operations											
Operating profit/(loss)	1,465	8	88	(135)	1,426	37	(5)	200	(117)	83	1,541
Share of profits less losses of											
- Associates	530	332	1,076	—	1,938	20	268	—	—	—	2,226
- Jointly controlled entities	5	—	40	83	128	—	—	—	—	—	128
	2,000	340	1,204	(52)	3,492	57	263	200	(117)	83	3,895
Finance costs - net	(56)	—	—	(68)	(124)	(55)	—	—	(473)	(473)	(652)
Taxation	(166)	—	(62)	(6)	(234)	—	(30)	(14)	—	(14)	(278)
Profit/(loss) for the year from continuing operations	1,778	340	1,142	(126)	3,134	2	233	186	(590)	(404)	2,965
Non-controlling interests	(236)	—	—	8	(228)	9	—	—	—	—	(219)
Profit/(loss) attributable to equity holders of the Company	1,542	340	1,142	(118)	2,906	11	233	186	(590)	(404)	2,746
Discontinued operation											
Gain on disposal of discontinued operation	—	—	—	—	—	—	492	—	—	—	492
Non-controlling interests											219
Profit attributable to equity holders of the Company											3,238
Profit for the year											3,457
Other information:											
Continuing operations											
Depreciation and amortisation	542	8	—	209	759	71	—	—	7	7	837
Capital expenditure	551	3	—	269	823	183	—	—	—	—	1,006

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

	As at 31 December 2010										
	Ports operations					Bonded logistics & cold chain operations	Ports-related manufacturing operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Segment assets (excluding interests in associates and jointly controlled entities)	22,998	103	2,140	4,426	29,667	7,131	690	10,326	2,133	12,459	49,947
Interests in associates	899	1,988	11,322	1,194	15,403	815	6,702	781	—	781	23,701
Interests in jointly controlled entities	88	4	729	3,682	4,503	—	—	86	—	86	4,589
Total segment assets	23,985	2,095	14,191	9,302	49,573	7,946	7,392	11,193	2,133	13,326	78,237
Deferred tax assets											114
Total assets											78,351
Segment liabilities	(5,443)	(38)	(54)	(2,069)	(7,604)	(3,290)	(449)	(5,480)	(9,831)	(15,311)	(26,654)
Taxation payable											(261)
Deferred tax liabilities											(2,065)
Total liabilities											(28,980)

	As at 31 December 2009										
	Ports operations					Bonded logistics & cold chain operations	Ports-related manufacturing operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Segment assets (excluding interests in associates and jointly controlled entities)	17,816	89	1,924	2,980	22,809	2,064	—	927	2,552	3,479	28,352
Interests in associates	2,117	1,872	10,061	—	14,050	377	4,360	—	—	—	18,787
Interests in jointly controlled entities	22	3	675	2,042	2,742	—	—	—	—	—	2,742
Total segment assets	19,955	1,964	12,660	5,022	39,601	2,441	4,360	927	2,552	3,479	49,881
Non-current assets held for sale	—	—	—	2,553	2,553	—	—	—	—	—	2,553
	19,955	1,964	12,660	7,575	42,154	2,441	4,360	927	2,552	3,479	52,434
Deferred tax assets											34
Total assets											52,468
Segment liabilities	(3,230)	(41)	(105)	(2,318)	(5,694)	(1,227)	—	(5)	(9,126)	(9,131)	(16,052)
Taxation payable											(61)
Deferred tax liabilities											(736)
Total liabilities											(16,849)

4 **Other gains, net and other income**

	2010 *HK$'million*	2009 *HK$'million*
Other gains, net		
Increase in fair value of investment properties	331	175
Reversal of provision for terminal construction cost	57	—
Gain on disposal of land use rights, property, plant and equipment	130	22
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries	1,378	—
Net exchange gains/(losses)	79	(7)
	1,975	190
Other income		
Income from held-to-maturity investments	1	1
Dividend income from available-for-sale financial assets		
- Listed equity investments	102	29
- Unlisted equity investments	12	114
Government subsidy	—	48
Others	24	14
	139	206

5 **Expenses by nature**

	2010 *HK$'million*	2009 *HK$'million* *(restated)*
Cost of inventories	125	—
Staff costs (including Directors' emoluments)	894	523
Depreciation of property, plant and equipment	887	698
Amortisation of intangible assets and land use rights	131	139
Auditor's remuneration	14	10
Fuel and utilities	373	237
Subcontracting fees	544	371
Operating lease rentals in respect of		
- land and buildings	102	90
- plant and machinery	29	31
Transportation and delivery	107	—
Other expenses	530	344
Total cost of sales, distribution costs and administrative expenses	3,736	2,443

6 **Finance income and costs**

	2010	2009
	HK$'million	*HK$'million*
Finance income — interest income from bank deposits	112	16
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(185)	(84)
- not wholly repayable within five years	(38)	(5)
Listed notes payable		
- wholly repayable within five years	(358)	(145)
- not wholly repayable within five years	(113)	(322)
Loans from the ultimate holding company	(100)	(110)
Loans from an intermediate holding company	(31)	(37)
Total borrowing costs incurred	(825)	(703)
Less: amount capitalised in assets under construction	72	35
Finance cost	(753)	(668)
Finance costs - net	(641)	(652)

Capitalisation rate of 4.765% per annum (2009: 4.526% 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% (2009: 16.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to PRC corporate income tax law of the People's Republic of China ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in the PRC before 1 January 2008 previously taxed at preferential rate of 15%, PRC corporate income tax rate is 20%, 22% and 24% in 2009, 2010 and 2011 respectively whereas 25% standard rate will be applied from year 2012 onwards. Certain of the Group's 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 the previous years or 1 January 2008. 10% withholding income tax is also imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for investments incorporated in certain places, including 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:

	2010 *HK$'million*	**2009** *HK$'million*
Hong Kong profits tax	5	1
PRC corporate income tax	323	96
PRC withholding income tax	128	177
Deferred taxation	102	4
	558	278

8 **Discontinued operation**

On 5 January 2009, the Group disposed of its entire 64% equity interest in Hempel-Hai Hong (China) Limited ("Hempel-Hai Hong"), a subsidiary of the Group, to Hempel A/S, the non-controlling shareholder of Hempel-Hai Hong for a cash consideration of HK$1,146 million. A gain on disposal of HK$492 million was resulted and had been recognised in the consolidated income statement in 2009.

9 **Dividends**

	2010 *HK$'million*	**2009** *HK$'million*
Interim, paid, of 25 HK cents (2009: 25 HK cents) per share	610	607
Final, proposed, of 78 HK cents (2009: 32 HK cents) per share	1,918	779
	2,528	1,386

At a meeting held on 30 March 2011, the Directors proposed a final dividend of 78 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 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 financial statements.

The amount of proposed final dividend for 2010 was based on 2,458,698,459 (2009: 2,433,199,023) shares in issue as at 30 March 2011.

10 **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.

Basic	**Continuing operations**	**Discontinued operation**	**Total**
For the year ended 31 December 2010			
Profit attributable to equity holders of the Company (HK$'million)	5,876	—	5,876
Weighted average number of ordinary shares in issue	2,457,060,786	2,457,060,786	2,457,060,786
Basic earnings per share (HK cents)	239.13	—	239.13
For the year ended 31 December 2009			
Profit attributable to equity holders of the Company (HK$'million)	2,746	492	3,238
Weighted average number of ordinary shares in issue	2,432,403,443	2,432,403,443	2,432,403,443
Basic earnings per share (HK cents)	112.94	20.24	133.18

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted	**Continuing operations**	**Discontinued operation**	**Total**
For the year ended 31 December 2010			
Profit attributable to equity holders of the Company (HK$'million)	5,876	—	5,876
Weighted average number of ordinary shares in issue	2,457,060,786	2,457,060,786	2,457,060,786
Adjustment for share options	6,265,867	6,265,867	6,265,867
Weighted average number of ordinary shares for diluted earnings per share	2,463,326,653	2,463,326,653	2,463,326,653
Diluted earnings per share (HK cents)	238.52	—	238.52
For the year ended 31 December 2009			
Profit attributable to equity holders of the Company (HK$'million)	2,746	492	3,238
Weighted average number of ordinary shares in issue	2,432,403,443	2,432,403,443	2,432,403,443
Adjustment for share options	1,501,760	1,501,760	1,501,760
Weighted average number of ordinary shares for diluted earnings per share	2,433,905,203	2,433,905,203	2,433,905,203
Diluted earnings per share (HK cents)	112.87	20.23	133.10

11 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$970 million (2009: HK$556 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:

	2010	**2009**
	HK$'million	*HK$'million*
Not yet due	558	165
1 - 90 days	330	343
91 - 180 days	45	16
181 - 365 days	21	9
Over 365 days	16	23
	970	556

12 Non-current assets held for sale

On 18 December 2009, the Group entered into a Joint Venture Agreement ("JV Agreement") with Qingdao New Qianwan Container Terminal Co., Ltd. ("QQCTN") to establish a joint venture, Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU"). Each of the Group and QQCTN owns 50% equity interest in QQCTU. The principal activities of QQCTU are construction, operation and management of container terminals on the southern bank of Qianwan Harbour District of Qingdao Port and the provision of port-related services.

Pursuant to the JV Agreement, the Group and QQCTN shall respectively inject or sell certain of and all of their assets, including berths, storage yards and ancillary facilities and machinery to QQCTU. As at 31 December 2009, the aggregate carrying value of the assets to be injected or sold by the Group to QQCTU was HK$2,553 million (comprising land use rights of HK$233 million and property, plant and equipment of HK$2,320 million) and the amount had been presented as non-current assets held for sale in the consolidated financial statements as at 31 December 2009.

During the year, the Group injected and sold certain assets amounting to HK$1,553 million previously classified as non-current assets held for sale to QQCTU and recognised a gain on disposal of HK$60 million during the year. The remaining HK$1,000 million has been reclassified to property, plant and equipment as the assets are not expected to be sold within one year.

13 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$418 million (2009: HK$86 million). The ageing analysis of trade creditors is as follows:

	2010 *HK$'million*	**2009** *HK$'million*
Not yet due	12	—
1 - 90 days	287	63
91 - 180 days	41	4
181 - 365 days	38	1
Over 365 days	40	18
	418	86

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have recommended the payment of a final scrip dividend for the year ended 31 December 2010 of 78 HK cents per share (2009: 32 HK cents), payable on or around 25 July 2011 to the shareholders whose names appear on the Register of Members of the Company as at the date of the 2011 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 2011 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 17 June 2011. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to shareholders on or around 25 July 2011.

CLOSURE OF REGISTER

The Register of Members will be closed from 3 June 2011 to 9 June 2011 (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 Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 2 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In 2010, the global economy was on its track to recovery. According to the relevant data, the United States and the EU have both experienced consecutive quarter-on-quarter growth in GDP in each quarter of 2010. Emerging economies such as China and India have also continued to maintain good economic fundamentals with relatively rapid growth in GDP. The improving global economic situation has provided strong support to international trade, which rapidly reaccelerated. Both IMF and OECD predicted a double-digit growth in global merchandise trade for 2010. According to the statistics of the General Administration of Customs of the PRC, the total value in import and export of China's foreign trade rebounded strongly in 2010 and repeatedly broke the single-month historical record highs starting from the month of June. The total value for the year for both export and import of China's foreign trade hit historical highs.

Driven by the global economic recovery and the growth of international trade, container transportation once again became a highlight of the growth in the international maritime market. Estimates made by Drewry Shipping revealed that container throughput handled by the world's major ports would record a year-on-year double-digit growth in 2010, and would surpass the historical high volume recorded in 2008, with ports in Asia predominately led by Chinese ports being the major driving force for such volume growth. Publicly available data further revealed that Chinese ports handled a total of 145,000,000 TEUs in 2010, a sharp increase of 18.8% over that in 2009 and representing another historical peak. The container throughputs handled by each of the major ports along coastal regions have all exceeded their respective pre-financial crisis scales. The Shanghai Port, furthermore, has emerged to be the world's largest container port in terms of volume handled. The Group's ports operations in China, in effect, spread over the hub locations along various coastal regions and hence, are positioned to share the growth momentum brought about by the recovery of the ports industry.

In 2010, the Group's port projects handled a total container throughput of 52,280,000 TEUs, an increase of 19.2% over that of last year; the bulk cargoes handled by the Group's ports continued to grow and the throughput for the full year reached 281,000,000 tonnes, an increase of 21.1% year-on-year. China International Marine Container (Group) Co., Ltd. ("CIMC Group"), of which the Group is the single largest shareholder, has also benefited from the recovery of the international maritime market thereby causing a revival of the demand for logistics and transportation tools. During the year it sold 1,380,000 TEUs of dry cargo and reefer containers and 61,900 special containers, reflecting a growth of 14 times and 43.3% year-on-year respectively; it sold 155,300 units of special road vehicles, reflecting a growth of 59.5% year-on-year.

As at 31 December 2010, the profit attributable to the equity holders of the Company totaled HK$5,876 million, representing an increase of 81.5 % over that for the last year. Of this amount, recurrent profit was HK$4,346 million, an increase of 67.9% year-on-year. The Group's core segment of ports operations recorded an EBITDA of HK$7,532 million, which represents on adjusted-for-alignment basis an increase of 31.2% year-on-year. The share of ports-segment-derived EBITDA for 2010 relative to the Group's total EBITDA dropped to 73.6 %, from 85.9 % of last year.

The Group recorded revenue of HK$5,811 million for 2010, an increase of 62.0% over that of last year. Of this amount, revenue derived from the Group's core segment of ports operations amounted to HK$5,008 million, an increase of 46.1% over last year.

Ports operations

EBIT derived from the Group's ports operations amounted to HK$5,749 million, representing on adjusted-for-alignment basis an increase of 42.4 % over that of last year and accounting for 73.4% of the overall EBIT of the Group, down from 86.4 %.

In 2010, the Group's ports handled a total of 52,280,000 TEUs, an increase of 19.2% year-on-year. Of this total, the volume handled by the Group's ports in Mainland China reached 46,060,000 TEUs, a 20.9% increase over that in 2009, which growth rate has surpassed the overall growth of the whole country. Based on the 2010 statistics of the container throughput handled by ports in China published by China's Ministry of Communications, container volume handled by the Group's port projects represented approximately 31.8% of China's total container volume, making the Group Mainland China's largest corporate in investment and operation in the container terminal business. The Group's port projects in Hong Kong and overseas achieved a total container throughput of 6,210,000 TEUs, an increase of 7.7% over last year.

In 2010, other than Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Continents International"), an equity investment of the Group which has recorded a slight decline of 1.3% in its container throughput, all ports projects of the Group have achieved growth in their respective container operations: The Shenzhen homebase ports handled a container throughput of 11,690,000 TEUs, an increase of approximately 24.0% over that in 2009, with its year-on-year growth being slightly higher than Shenzhen's overall container throughput growth. Shanghai International Port (Group) Co., Ltd. ("SIPG"), an associate of the Group, handled a container throughput of 29,070,000 TEUs, an increase of 16.3% year-on-year. This volume has elevated Shanghai Port as the largest container port in the world, surpassing that of Singapore. The throughput of Ningbo Daxie China Merchants International Terminals Co., Ltd. ("Ningbo Daxie") rose 30.9% year-on-year to 1,560,000 TEUs. The co-operation pursued by the Group with Qingdao Port Group Co., Ltd. ("QPG") since late 2009 has swung a leaping growth momentum to its ports operation in Bohai Rim. Qingdao Qianwan United Container Terminal Co., Ltd., the Group's joint venture with Qingdao New Qianwan Container Terminal Co., Ltd, a container handling unit of QPG, handled a container throughput of 1,100,000 TEUs for the full year, a growth of approximately 56 times year- on-year. The container throughput of each of Zhangzhou China Merchants Port Co., Ltd ("Zhangzhou Port") and Zhanjiang Port (Group) Co., Ltd. ("Zhanjiang Port Group") respectively grew by more than 30%, aggregating in total an handled container volume of 700,000 TEUs, an increase of 35% year-on-year.

The bulk cargo handling business of the Group continued to record impressive growth having handled a total throughput of 281,000,000 tonnes for the full year, an increase of 21.1% year- on-year. Of this bulk cargo volume, the Shenzhen homebase ports accounted for 39,430,000 tonnes, an increase of 5.2%; Zhangzhou Port 7,250,000 tonnes, an increase of 1.2%; the Group's joint investments with QPG 16,800,000 tonnes, jumped 17 times. The total bulk cargo throughput handled by SIPG and Zhanjiang Port Group combined rose almost 17% over that in 2009.

For the year under review, the Group has regarded as one of its key objectives for the year the seeking to raise the operating efficiency of its existing assets and in turn to enhance their productivity by excavating value hidden within the internal operation flow. In this connection, stemmed from experiences gathered in the past, the Group has introduced measures spanning comprehensively across various aspects with a view to further refining its operational management. Of significance in technological innovation, among these measures, and therefore largely promoted and applied include the conversion of rubber-tired cranes ("RTG") from using diesel to using electricity (the "diesel to electricity" campaign") and energy conserving emission reduction programme for port operating equipment; streamlined improvements in operating techniques and procedures that led to further reduction in direct operating costs; strengthened control in the sub-contract works that led to the effective improvement in the unit operating efficiency and, in turn, in cost effectiveness of the operation; and the continued intensifying in the coordination and sharing of resources within the Group thereby elevating the overall capability of the Group's ports operations. In 2010, the recovery of the international maritime market has provided a positive external environment in which for the Group's ports to operate, whereas the Group's efforts towards further refinement of its operational management have forcefully supported and assured the Group's significant improvement in its operating results.

In 2010, the Group had concrete achievements in a number of ports development projects, both domestic and overseas:

In terms of consolidating the domestic market, by adopting relevant measures the Group has enhanced the competitiveness of the Shenzhen Western Port Zone. On 14 December 2010, the Group entered into an agreement to acquire 20% equity interests of Chu Kong River Trade Terminal Company Limited ("CKRTT") a subsidiary under Chu Kong Shipping Development Company Limited ("CKSD"). (The legal procedure to change such the ownership registration of such equity interests of CKRTT was duly completed on 1 February 2011). Having established this equity link with CKSD, the Group has enhanced its influence over freight-sourcing from the Pearl River Delta, further, in turn, anchoring Shenzhen Western Port Zone's competitive position in the region. In addition, during the year, the Group has effected the custody of the equity interests of China Nanshan Development (Group) Incorporation ("Nanshan Group") held by Guangdong Guangye Investment Holdings Limited ("Guangye"), thus enabling the Group to exercise its right to financially consolidate the Nanshan Group, which further strengthen the Group's influence over the Shenzhen Western Port Zone. In 2010, the Group has further intensified its cooperation with QPG, having rolled out its cooperation with QPG in container terminal operations last year, by establishing another joint venture with QPG in operating a bulk cargo terminal. The Group's ability to participate in the ports operating market at Bohai Rim has thus been elevated. In addition, this has also ensured an otherwise competitive environment in Qingdao in which for the Group and QPG to jointly develop in the future.

As for the development of overseas operations, on 5 November 2010, the Group acquired from ZIM Integrated Shipping Services Limited ("ZIM") a 47.5% equity interests in Tin-Can Island Container Terminal Limited ("TICT"), a container terminal project located at Tin-Can Island, Lagos, Nigeria, marking the Group's debut entry overseas. On 16 September 2010, the Sri Lankan Port Authority issued a non-binding letter of intent naming the consortium, of which the Group is part, the winning bidder to the project to develop and operate a container terminal in Colombo. The consortium is currently working on key terms such as the shareholders' agreement. Furthermore, the Group signed the joint venture agreement for the Vietnam project on 29 April 2010, which project is pending final approval from the Vietnamese government authorities. Apart from the above, the Group's work on other target projects overseas has also progressed steadily according to plan.

Bonded logistics and Cold Chain Operations

The Group's bonded logistics and cold chain operations include services within bonded port zones, cold chain logistics services, airport cargo terminal services and logistics services offered by the Nanshan Group. For the year under review, EBIT generated by the Group's bonded logistics and cold chain operations amounted to HK$441 million, an increase 11 times over that of last year.

Helped by the recovery of economy and the policy advantages afforded by the bonded port zone, during the year the Group's logistics operation at Shenzhen Qianhaiwan Bonded Port Zone began to reflect performance that supplements the Group's ports business. Both the number of corporate establishments into the Zone and the relevant operating cargo through-put have substantially risen as compared to the previous years. The Group anticipates as more of these bonded port zones in other regions commence their operation, its logistics services out of these zones will provide new growth momentum for the Group's ports operations.

Capitalising on the sustainably developing global trade as well as China's budding needs for cold chain logistics services, the Group has actively sought to connect the Group's ports operations to international trade through the establishment, in 2010, of cold chain business joint ventures under the names of, respectively, China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC") (in which the Group holds a 51% stake in CMAC), with the world's largest cold chain logistics service-provider, AmericCold Realty Trust ("AmeriCold") with a view to jointly developing the cold chain logistics market in Mainland China. Integrated in this cold chain operation of the Group are the brand name recognition enjoyed respectively by the Group and AmeriCold, the advantage of the Group's ports network and coastal bonded warehousing, AmeriCold's technical know-how and business capabilities in the cold chain logistics sector, which combined will support the Group's efforts in striving to be China's leading national cold chain logistics service provider, facilitating the sustainable and steady development of the Group's core operations such as ports and related logistics services.

In the second half of 2010, the Group acquired the custody right of the equity interests held by Guangye in the Nanshan Group and, as a result, effected financially the consolidation of the Nanshan Group. This did not only strengthen the Group's control over the Shenzhen Western Port Zone but also enhance the synergy of resource utilisation through closer cooperation among different port units in the proximity, thereby elevating the Group's operational capability in providing logistics services and reinforcing the Group's overall competitiveness in this sector.

The operations of Asia Airfreight Terminal Company Limited in which the Group is interested have recovered along with the air cargo market, following a downturn in the industry in 2009, with 710,000 tons of cargo handled, representing a sharp increase of 39% year on year.

Ports-related manufacturing operations

In 2010, EBIT generated by the Group's ports-related manufacturing operations amounted to HK$1,271 million, an increase of 219.4% over last year.

The container manufacturing operations and sales operations of the CIMC Group gained support from the growth in global trade and the demand by the shipping market for new containers, as evidenced in the rapid rebound of container sales. During the year it sold 1,380,000 TEUs of dry cargo and reefer containers and 61,900 special containers, reflecting a growth of 14 times and 43.3% year-on-year respectively; it sold 155,300 units of special road vehicles, reflecting a growth of 59.5% year-on-year.

Driven by the growth of traditional core operations, CIMC Group realized net profit of US$446 million for 2010, an increase of 216.3% over last year.

Corporate social responsibility

Apart from committing itself to continuously improving its operating results and investment returns for shareholders, the Group as a corporate citizen also aims to duly perform its corporate social responsibilities and obligations and vigorously promotes social welfare and community activities such as health, safety, the establishment of environmental protection systems, helping the poor and providing relief as the Group's special task and has achieved various practical experience and implementation results.

Under the concept of the sustainable development of enterprises and the entire society, environmental protection and green initiatives have been deeply rooted into the corporate culture of the Group. The Group has actively participated in the "Earth Hour" campaign organized by the World Wildlife Fund, and provided active support to acknowledge and promote the Fair Winds Charter initiated by Civic Exchange. In port operations, the Group, in compliance with provisions of the Chinese Government and the Hong Kong Government, has exerted itself to reduce waste gas emissions from its operations and has implemented measures to control such emission. In this connection, the Group has established a statistics and supervision mechanism for energy conservation and discharge reduction indices with its subsidiaries.

Meanwhile, benchmarking of similar standards initiated by the International Maritime Organization (IMO) and the Intergovernmental Panel on Climate Change (IPCC), the Group has drawn up dedicated programmes for environmental protection and sustainable development, significantly increasing the environmental protection awareness of its employees and having a facilitative effect on driving the energy conservation technology reform. By adopting the moves mentioned above, the Group is able to further reduce the standard coal consumption per ton and fuel and electricity costs in respect of the unit handling capacity of its terminals.

The Group has adopted stringent environmental and production safety policies, via its head office and certain terminal units have already obtained the certifications on environmental management (ISO14000) and supply chain security management systems (ISO28000), which will help to enhance environmental protection and safety in the operating activities of the Group, assist the Group to create green terminals with full efforts, identify and mitigate risks arising from the business environment effectively and improve the capability to deal with crisis and threats.

During the year, in addition, the Group has contributed in areas such as offering disadvantaged students and the poor, charitable donations and supporting community services, etc. After the April 2010 earthquake in Yushu, Qinghai Province in China, the Group organized a rescue team made up of volunteers which was sent to the affected areas to support rescue operations on-site, and made donations to contribute to the rescue and reconstruction work. The Group is also one of the funding members of the China Merchants Charity Fund, the charter of which is to help the poor and patients of certain diseases and to provide ready assistance to society when needed, for instance, for disaster relief in China.

Liquidity and treasury policies

As at 31 December 2010, the Group had approximately HK$6,352 million in cash, 31.0% of which was denominated in Hong Kong dollars, 3.6% in United States dollars, 65.0% in Renminbi and 0.4% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operations, bonded logistic & cold chain operations, ports-related operations, property development and investment, and investment returns from associates and jointly controlled entities, which together contributed HK$2,918 million in total.

During the year, the Group's capital expenditure amounted to HK$1,654 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 2010, the Company had 2,458,027,459 shares in issue. During the year, the Company issued 1,659,000 new shares upon the exercise of share options and received approximately HK$33 million as a result. Other than the above-mentioned newly issued shares, the Company issued 23,619,436 shares under the Company's scrip dividend scheme.

As at 31 December 2010, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 40.7%.

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 2010, the Group's outstanding interest-bearing debts were analyzed as below:

	2010	**2009**
	HK$'million	*HK$'million*
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	4,827	1,795
Between 1 and 2 years	2,182	394
Between 2 and 5 years	2,813	1,123
Not wholly repayable within 5 years	1,410	79
	11,232	3,391
Fixed-rate listed notes payables are repayable:		
In 2013	2,324	2,312
In 2015	3,879	3,862
In 2018	1,536	1,528
	7,739	7,702
Loans from the ultimate holding company		
Within 1 year	1,748	2,566
Between 2 and 5 years	938	—
	2,686	2,566
Loans from an intermediate holding company		
Within 1 year	—	738
Between 2 and 5 years	587	—
	587	738

Note: all bank borrowings are unsecured except for HK$451 million (2009: HK$7 million).

The interest bearing debts are denominated in the following currencies:

	2010					2009				
	Bank borrowings	Listed notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Total	Bank borrowings	Listed notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	4,972	7,739	—	—	12,711	2,926	7,702	—	—	10,628
RMB	6,260	—	587	2,686	9,533	465	—	738	2,566	3,769
	11,232	7,739	587	2,686	22,244	3,391	7,702	738	2,566	14,397

Assets charge

As at 31 December 2010, the Company did not have any charge over its assets. However, bank loans of HK$68 million (2009: HK$7 million) and HK$294 million (2009: nil) borrowed by subsidiaries are respectively secured by its property, plant and equipment with net book value HK$71 million (2009: HK$47 million) and land use right with net book value HK$558 million (2009: nil) as at 31 December 2010.

Employees and remuneration

As at 31 December 2010, the Group employed 7,524 full time staff, of which 255 worked in Hong Kong, and the remaining 7,269 were in the PRC. The remuneration paid for the year amounted to HK$894 million, representing 23.9% 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.

Future prospects

Looking into 2011, uncertainties associated with the global economy still prevail. From a short-term perspective, the global economy may continue to adjust. Key professional institutions generally predict a modest growth in the economy of developed countries such as Europe, the United States and Japan. China, being one of the engines of economic growth, may slow down in its economic growth caused by pressure from inflation. However, the possibility for the global economy to decline again is remote. From a long-term perspective, the world economy is expected to maintain a sustainable expansion trend and globalization will continue to progress. Cooperation and development is still the main theme of global economic and trade development. Against this backdrop, world trade will continue to advance forward. With China being a major trade power in the world, its trade activities will continue to yield considerable support to the port logistics operations.

As far as the current situation is concerned, although China's export trade could likely be affected by factors such as trade protectionism and the expected appreciation of Renminbi, "Made in China" from a global perspective enjoys a broader output and coverage capability. When compared to those of other countries or regions, China's export processing and manufacturing industries still capture comprehensive competitive advantages, which can hardly be completely replaced in the short-to-medium term. Meanwhile, China has a long-term demand for importing a large amount of bulk resources. Therefore, the Group believes its ports operations will continue to benefit from the continued development of global economic integration.

To continue to strengthen the competitiveness of the Group's ports operations, the Group will continue to drive the deep integration of the home port in Shenzhen in 2011 so as to further enhance the interoperability and utilization efficiency of the Shenzhen Western Port Zone. By fully implementing strategic cooperation with CKSD, the Group will consolidate and increase its influence over the economic hinterland of the Pearl River Delta. In response to the trend of the transfer of the manufacturing industry in the Pearl River Delta, the Group will continue to develop sea-rail connectivity so as to extend the hinterland of ports. Besides, the Group will strive to increase the business scale of the Shenzhen Qianhaiwan Bonded Port Zone to foster closer cooperation between customers entering the zone and terminals in the Western Port Zone. By supporting the development plan of the Qianhai Shenzhen-Hong Kong Modern Service Cooperation Zone, the Group will seek opportunities for its future development. The Group will also continue to facilitate sophisticated management and put equal emphasis on quality, efficiency and effectiveness and actively promote advanced sophisticated management experience within the Group and further consolidate and expand its capability of participating in port markets in Mainland China. While being established in the domestic market of China, the Group will continue to strengthen overseas promotion and establish close and win-win strategic partnership with overseas customers and business partners, and steadily propel the development of overseas projects by undertaking in-depth study of overseas markets and industries.

2011 will still be a year with complicated external macroeconomic conditions. However, the Group is fully confident in the operating prospects of its ports operations. The Group believes that, with the orderly implementation of the established work plan, the Group's operations will have another breakthrough in the new year. As in the past, the Group will also seek to optimize the interests of shareholders and undertake investment and management in an all-round manner to continuously increase its profitability and strive to generate better 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 2010 and the 2010 annual results.

CORPORATE GOVERNANCE

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

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

In November 2004, the Stock Exchange promulgated the Code on Corporate Governance Practices ("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 2010.

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. With effect from 26 March 2010, Mr. Hu Jianhua has been re-designated as Managing Director of the Company in place of Dr. Fu Yining, Dr. Fu remains as Chairman of the Company.

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 held on 25 May 2010. Mr. Hu Jianhua, the Managing Director, was nominated by the Board to take the chair of the annual general meeting according to the Company's Articles of Association. In order to ensure effective communication with the shareholders, members of the Audit Committee and the Remuneration Committee and the external auditor were present at the annual general meeting to answer shareholders' questions.

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

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

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2010 annual report will be published on the website of the Stock Exchange in due course. Statutory financial statements for the year ended 31 December 2010, 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, 30 March 2011

The Board as at the date of this announcement 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. Liu Yunshu 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.