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 decreased by 5.2% to HK$5,569 million (2010: HK$5,876 million)**
- **Basic earnings per share decreased by 5.9% to 225.12 HK cents (2010: 239.13 HK cents)**
- **Throughput of containers handled rose 9.6% to 57.29 million TEUs (2010: 52.28 million TEUs)**
- **Throughput of bulk cargoes handled rose 15.5% to 325 million tons (2010: 281 million tons)**

2011 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 2011 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** *HK$'million*	**2010** *HK$'million*
Revenue	2	9,470	5,811
Cost of sales	5	(5,418)	(3,025)
Gross profit		4,052	2,786
Other gains, net	4	1,949	1,975
Other income	4	108	139
Distribution costs	5	(47)	(21)
Administrative expenses	5	(1,177)	(690)
Operating profit		4,885	4,189
Finance income	6	187	112
Finance costs	6	(1,061)	(753)
Finance costs - net	6	(874)	(641)
Share of profits less losses of			
Associates		3,329	3,366
Jointly controlled entities		346	324
Profit before taxation		7,686	7,238
Taxation	7	(1,015)	(558)
Profit for the year		6,671	6,680

	Note	**2011** *HK$'million*	**2010** *HK$'million*
Attributable to:			
Equity holders of the Company		5,569	5,876
Non-controlling interests		1,102	804
Profit for the year		6,671	6,680
Dividends	8	2,424	2,528
Earnings per share for profit attributable to equity holders of the Company	9		
- basic (HK cents)		225.12	239.13
- diluted (HK cents)		224.56	238.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 *HK$'million*	**2010** *HK$'million*
Profit for the year	6,671	6,680
Other comprehensive income:		
Realisation of investment revaluation reserve of an available-for-sale financial asset upon step acquisition of subsidiaries	—	(214)
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	(79)	(156)
Share of capital reserve of an associate	(21)	(66)
Share of reserves of a jointly controlled entity	45	3
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	2,116	1,348
(Decrease)/increase in fair values of available-for-sale financial assets, net of deferred taxation	(454)	52
Share of net actuarial losses on defined benefit plans of associates	(18)	(17)
Total other comprehensive income for the year, net of tax	1,589	692
Total comprehensive income for the year	8,260	7,372
Total comprehensive income attributable to:		
- equity holders of the Company	6,650	6,179
- non-controlling interests	1,610	1,193
	8,260	7,372

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	**2011** *HK$'million*	**2010** *HK$'million*
ASSETS			
Non-current assets			
Intangible assets		4,591	3,389
Property, plant and equipment		18,269	16,835
Investment properties		4,340	3,662
Land use rights		9,883	9,683
Interests in associates		27,394	23,701
Interests in jointly controlled entities		5,038	4,589
Other financial assets		1,919	2,418
Prepayments		344	342
Deferred tax assets		136	114
		71,914	64,733
Current assets			
Inventories		240	159
Properties under development and held for sale		4,380	2,241
Other financial assets		963	382
Debtors, deposits and prepayments	10	2,776	4,484
Tax recoverable		2	—
Cash and bank balances		6,811	6,352
		15,172	13,618
Total assets		87,086	78,351

	Note	2011	2010
		HK$'million	HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		247	246
Reserves		41,475	36,878
Proposed dividend		1,683	1,918
		43,405	39,042
Non-controlling interests		11,355	10,329
Total equity		54,760	49,371
LIABILITIES			
Non-current liabilities			
Loans from the ultimate holding company		985	938
Loans from an intermediate holding company		—	587
Other financial liabilities		16,231	14,144
Other non-current liability		1,049	—
Deferred tax liabilities		2,351	2,065
		20,616	17,734
Current liabilities			
Creditors and accruals	11	3,888	4,382
Loans from the ultimate holding company		1,615	1,748
Loans from an intermediate holding company		616	—
Other financial liabilities		5,279	4,855
Taxation payable		312	261
		11,710	11,246
Total liabilities		32,326	28,980
Total equity and liabilities		87,086	78,351
Net current assets		3,462	2,372
Total assets less current liabilities		75,376	67,105

NOTES:

1 **Basis of preparation**

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

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

In 2011, the Group adopted revision and amendments to existing Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants, which became effective for accounting periods beginning on 1 January 2011 and do not have significant impact to the Group.

2 **Revenue**

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

	2011	**2010**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	6,394	5,008
Logistics services income (including rental income)	1,414	645
Sales of properties and goods	1,623	126
Gross rental income from investment properties	39	32
	9,470	5,811

3 **Segment information**

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

The CODM considers the Group's operations from both a business and geographic perspective.

From a business perspective, management assesses the performance of business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations. Ports operation is further evaluated on a geographic basis. Upon the extension of its ports operation in various areas, the geographic performance assessment on ports operation had been amended to be based on Pearl River Delta excluding Hong Kong ("PRD excluding HK"), Hong Kong, Yangtze River Delta and other locations.

Ports operation includes 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. Port-related manufacturing operations include 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.

Over 90% of its non-current assets are located in Mainland China and over 90% of its revenue is derived in Mainland China. There is no single customer who accounted 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 2011

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

For the year ended 31 December 2010

	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue									
Company and subsidiaries	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

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 2011										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss), excluding gain on deemed disposal of interest in an associate	2,678	31	26	104	2,839	495	(23)	334	(127)	207	3,518
Share of profits less losses of											
- Associates	52	339	1,421	151	1,963	75	1,195	96	–	96	3,329
- Jointly controlled entities	–	–	128	196	324	–	–	22	–	22	346
	2,730	370	1,575	451	5,126	570	1,172	452	(127)	325	7,193
Gain on deemed disposal of interest in an associate											1,367
Finance costs - net	(85)	–	–	(80)	(165)	(144)	(17)	(86)	(462)	(548)	(874)
Taxation	(502)	(5)	(261)	(22)	(790)	(57)	(72)	(96)	–	(96)	(1,015)
Profit/(loss) for the year	2,143	365	1,314	349	4,171	369	1,083	270	(589)	(319)	6,671
Non-controlling interests	(789)	–	–	(78)	(867)	(253)	(20)	38	–	38	(1,102)
Profit/(loss) attributable to equity holders of the Company	1,354	365	1,314	271	3,304	116	1,063	308	(589)	(281)	5,569
Other information:											
Depreciation and amortisation	895	8	–	186	1,089	225	13	80	5	85	1,412
Capital expenditure	996	7	–	1,351	2,354	860	48	75	3	78	3,340

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 2010										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss), excluding gain on 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	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:											
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 assets and liabilities by segments is as follows:

	As at 31 December 2011										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	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)	22,932	199	1,719	5,275	30,125	9,646	1,029	12,173	1,543	13,716	54,516
Interests in associates	1,137	1,755	13,967	1,128	17,987	824	7,836	747	—	747	27,394
Interests in jointly controlled entities	—	4	833	4,010	4,847	—	—	191	—	191	5,038
Total segment assets	24,069	1,958	16,519	10,413	52,959	10,470	8,865	13,111	1,543	14,654	86,948
Tax recoverable											2
Deferred tax assets											136
Total assets											87,086
Segment liabilities	(4,882)	(40)	—	(3,450)	(8,372)	(4,345)	(744)	(6,825)	(9,377)	(16,202)	(29,663)
Taxation payable											(312)
Deferred tax liabilities											(2,351)
Total liabilities											(32,326)

	As at 31 December 2010										
	Ports operation					Bonded logistics & cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
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)

4 Other gains, net and other income

	2011 *HK$'million*	2010 *HK$'million*
Other gains, net		
Increase in fair value of investment properties	445	331
Gain on deemed disposal of interest in an associate	1,367	—
Decrease in fair value of financial assets at fair value through profit or loss	(53)	—
Loss on disposal of interests in associates	(2)	—
Gain on remeasurement of previously held interest upon step acquisition of subsidiaries	—	1,378
Reversal of provision for terminal construction cost	—	57
Gain on disposal of land use rights and property, plant and equipment	3	130
Net exchange gains	189	79
	1,949	1,975
Other income		
Income from held-to-maturity investments	—	1
Dividend income from available-for-sale financial assets		
- Listed equity investments	21	102
- Unlisted equity investments	20	12
Dividend income from financial assets at fair value through profit or loss	30	—
Others	37	24
	108	139

5 Expenses by nature

	2011 *HK$'million*	2010 *HK$'million*
Cost of inventories (including cost of properties sold)	1,071	125
Staff costs (including Directors' emoluments)	1,482	894
Depreciation of property, plant and equipment	1,155	887
Amortisation of intangible assets and land use rights	257	131
Auditors' remuneration	22	14
Fuel and utilities	642	373
Sub-contracting fees	915	544
Operating lease rentals in respect of		
- land and buildings	128	102
- plant and machinery	14	29
Transportation and delivery	121	107
Other expenses	835	530
Total cost of sales, distribution costs and administrative expenses	6,642	3,736

6 Finance income and costs

	2011 *HK$'million*	2010 *HK$'million*
Interest income on:		
Bank deposits	183	112
Advance to a non-controlling equity holder of a subsidiary	4	—
Finance income	187	112
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(463)	(185)
- not wholly repayable within five years	(19)	(38)
Listed notes payable		
- wholly repayable within five years	(359)	(358)
- not wholly repayable within five years	(113)	(113)
Unlisted notes payable		
- wholly repayable within five years	(53)	—
Loan from a non-controlling equity holder of a subsidiary	(1)	—
Loans from the ultimate holding company	(114)	(100)
Loans from an intermediate holding company	(26)	(31)
Total borrowing costs incurred	(1,148)	(825)
Less: amount capitalised on qualifying assets *(Note)*	87	72
Finance costs	(1,061)	(753)
Finance costs - net	(874)	(641)

Note:

Capitalisation rate of 5.64% per annum (2010: 4.765% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

7 **Taxation**

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 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 22% and 24% in 2010 and 2011 respectively whereas 25% standard rate will be applied from year 2012 onwards. Certain of the Group's subsidiaries are 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. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some investments held by companies 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:

	2011 *HK$'million*	**2010** *HK$'million*
Hong Kong profits tax	7	5
PRC corporate income tax	569	323
PRC withholding income tax	209	128
Deferred taxation	86	102
Deferred taxation on PRC withholding income tax arising from change in tax rate *(Note)*	144	—
	1,015	558

Note:

Upon deemed disposal of interest in an associate, the Group is no longer entitled to 5% preferential rate on its dividend receivable from the associate and accordingly an additional amount of HK$144 million deferred taxation is provided for the unremitted earnings of this investment.

8 Dividends

	2011 *HK$'million*	2010 *HK$'million*
Interim, paid, of 30 HK cents (2010: 25 HK cents) per share	741	610
Final, proposed, of 68 HK cents (2010: 78 HK cents) per share	1,683	1,918
	2,424	2,528

At a meeting held on 29 March 2012, the Board proposed a final dividend of 68 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 2011 was based on 2,474,491,236 (2010: 2,458,698,459) shares in issue as at 29 March 2012.

9 Earnings per share

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

	2011	2010
Basic		
Profit attributable to equity holders of the Company (HK$'million)	5,569	5,876
Weighted average number of ordinary shares in issue	2,474,154,494	2,457,060,786
Basic earnings per share (HK cents)	225.12	239.13

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.

	2011	**2010**
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	5,569	5,876
Weighted average number of ordinary shares in issue	2,474,154,494	2,457,060,786
Adjustment for share options	6,098,348	6,265,867
Weighted average number of ordinary shares for diluted earnings per share	2,480,252,842	2,463,326,653
Diluted earnings per share (HK cents)	224.56	238.52

10 **Debtors, deposits and prepayments**

Debtors, deposits and prepayments balance includes trade debtors of HK$1,204 million (2010: HK$970 million).

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

	2011 *HK$'million*	**2010** *HK$'million*
Not yet due	266	558
Days overdue		
- 1 - 90 days	733	330
- 91 - 180 days	44	45
- 181 - 365 days	140	21
- Over 365 days	21	16
	1,204	970

11 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$318 million (2010: HK$418 million). The ageing analysis of the trade creditors is as follows:

	2011	**2010**
	HK$'million	*HK$'million*
Not yet due	63	12
Days overdue		
- 1 - 90 days	219	287
- 91 - 180 days	5	41
- 181 - 365 days	14	38
- Over 365 days	17	40
	318	418

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have recommended the payment of a final scrip dividend for the year ended 31 December 2011 of 68 HK cents per share (2010: 78 HK cents), payable on or around 20 July 2012 to the shareholders whose names appear on the Register of Members of the Company on 6 June 2012, with an alternative to the shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment (the "Scrip Dividend Scheme").

Subject to the approval by shareholders of the Company at the annual general meeting of the Company to be held on 31 May 2012 ("AGM"), a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 14 June 2012. 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 20 July 2012.

CLOSURE OF REGISTER

To ascertain shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 25 May 2012 to 31 May 2012 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 24 May 2012.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be despatched to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on 6 June 2012 (Wednesday). In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Wednesday, 6 June 2012.

Management Discussion and Analysis

Business review

In 2011, the global economy recovery slowed down. As the profound impact exposed from the international financial crisis continuously appeared, and the uncertainties and unstable factors increased, the possibility of economic downturn heightened. The International Monetary Fund ("IMF") lowered the global economic growth forecast for three consecutive times in April, June and September, respectively. According to the data published by IMF, the global economic growth rate recorded 3.8%, which was 1.4 percentage points below that of the same period last year. Of this amount, the developed economies increased by 1.6%, representing a decrease of 1.6 percentage points in growth rate; the developing economies increased by 6.2%, representing a decrease of 1.1 percentage points in growth rate. The process of economic recovery was further delayed by the sluggish growth of developed economies, the challenges arising from the internal slowdown and the reduced external demand in developing economies, as well as the debt crises in Europe. In view of the above-mentioned, the global trade growth saw a significant slowdown in 2011. According to the published data of IMF's report, the total global trade increased by 6.9% in 2011, representing a decrease of 5.8 percentage points in growth rate.

As the growth of global economy and trade slowed down, the port industry faced a new round of upward pressure. Drewry predicted, in its report published in August 2011, that the container throughput handled by the world's major ports would record a year-on-year increase of 8.0% in 2011, representing a decrease of nearly 50.0% in growth rate. In respect of the ports in Asia predominately led by Chinese ports, their business growth would also drop significantly. According to the data published by the Ministry of Transport, Chinese ports handled a total of 162,000,000 TEUs in 2011, up 11.4% year-on-year but a considerable 7 percentage points below the corresponding growth rate for the same period last year. Due to the industrial upgrade and transfer in some hinterlands and other factors, the slowdown trend of growth was relatively obvious in the container operations of southern ports.

In 2011, the Group's port projects handled a total container throughput of 57,290,000 TEUs, an increase of 9.6% over that of the same period last year; the bulk cargo business handled a throughput of 325,000,000 tonnes, an increase of 15.5% year-on-year. China International Marine Container (Group) Co., Ltd. ("CIMC Group"), of which the Group was the single largest shareholder, driven by the delivery of new container vessels globally, sold 1,591,000 TEUs of dry cargo and reefer containers and 77,100 TEUs of special-purpose containers during the year, reflecting a growth of 15.1% and 24.6% year-on-year respectively, which maintained a good growth momentum.

For the year ended 31 December 2011, the profit attributable to the equity holders of the Company totaled HK$5,569 million, representing a decrease of 5.2% over that of the same period last year. Of this amount, recurrent profit was HK$4,068 million, a decrease of 6.4% year-on-year. The Group recorded revenue of HK$9,470 million for 2011, an increase of 63.0% over that of the same period last year. Revenue derived from the Group's core segment of ports operation amounted to HK$6,394 million, an increase of 27.7% over that of the same period last year.

Based on the entrustment agreement in respect China Nanshan Development (Group) Incorporation ("Nanshan Group") effective in August 2010, the Group started to consolidate the accounts of Nanshan Group. The full-year impact of consolidating the results of Nanshan Group for 2011 was reflected in the considerable increases in a number of financial items of the Group, such as Revenue, Cost of sales, Distribution costs, Administrative expenses, Finance costs, and Taxation for the year.

The Group's core segment of ports operation recorded an EBITDA[Note 1] of HK$8,316 million, representing an increase of 10.4% year-on-year. The EBITDA contributions from the core segment of ports operation accounted for 70.1% of the Group's total EBITDA.

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

Ports operation

In 2011, EBIT[Note 2] derived from the Group's ports operation amounted to HK$6,051 million, representing an increase of 5.3% over that of last year and accounting for 68.2% of the overall EBIT of the Group, down from 73.4% last year.

During the year 2011, the growth rate of the Group's container business slightly above the industry level. The Group's port projects in Mainland China handled a total container throughput of 50,820,000 TEUs, representing an increase of 10.3% over 2010, which kept its leading position among domestic port operators. The Group's port projects in Hong Kong and overseas achieved a total container throughput of 6,460,000 TEUs, an increase of 4.0% over last year.

Among all the port projects of the Group, except the slight fall in the container volume in western Shenzhen and Modern Terminals Limited ("MTL") in Hong Kong, other port projects of the Group have achieved different levels of growth in their respective container operations. In particular, the container throughput handled by Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU") was significantly increased by 87.8% to 2,070,000 TEUs due to the Group's ability to attract new sources of containers and cargos. Shanghai International Port (Group) Co., Ltd. ("SIPG") created a record of 31,740,000 TEUs in the global ports, up 9.2% year-on-year. The throughput of Ningbo Daxie China Merchants International Terminals Co., Ltd. ("Ningbo Daxie") rose 12.1% year-on-year to 1,750,000 TEUs, and its business growth rate still remained higher than that of the local region. Chu Kong River Trade Terminal Company Limited ("CKRTT"), in which the Group acquired a stake in early 2011, contributed a total of 910,000 TEUs. Tin-Can Island Container Terminal Limited ("TICT") in Nigeria, the Group's first overseas port project, handled a container throughput of 378,000 TEUs, representing an increase of 28.1%. Due to the factors such as shorting of demand and reduction on resources, the container throughput handled by Shenzhen Western Port Zone and MTL were slightly decreased.

The growth rate of the Group's bulk cargo business remained higher than the domestic average level in 2011, mainly benefited from the business growth contributed by SIPG, Zhanjiang Port (Group) Co., Ltd. ("Zhanjiang Port Group"), Qingdao Qianwan West Port United Terminal Co., Ltd. ("QQTU") and Zhangzhou China Merchants Port Co., Ltd ("Zhangzhou Port"). Of this total, SIPG and Zhanjiang Port Group handled a throughput of 178,290,000 tonnes and 73,370,000 tonnes, respectively, with both of the growth rates being over 15.0%. QQTU

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

accounted for 28,390,000 tonnes, an increase of 69.1% year-on-year. The bulk cargo throughput handled by Zhangzhou Port amounted to 8,500,000 tonnes, an increase of 17.1% year-on-year, while the throughput of Shenzhen Western Port Zone decreased by 12.1% due to reduction on resources.

As the global economic growth during the year 2011 was slower than expected, and the shipping market saw severe downturn, port operators faced the dual pressures of rising internal costs along with reducing external demand. Despite the adverse operation environment, the Group has been adhering to the concept of "internal exploring and external pursuing". On the one hand, the Group actively explored new overseas projects, optimized the layout of domestic ports in order to pursue new growth points; and on the other hand, the Group improved the resource efficiency and asset effectiveness through integrating the existing port resources and vigorously facilitating sophisticated management. Over the past year, various efforts achieved remarkable results. For example, Built-Operate-Transfer ("BOT") projects of some overseas ports commenced to construct, the operation results of several port projects in Mainland China made breakthroughs, and sophisticated management made greater progress.

Colombo International Container Terminals Limited, located in the South Container Terminal Sri Lanka, was the first overseas terminal project with the independent operation right owned by the Group. It was also the second overseas port project following TICT in Nigeria, and first phase is expected to complete construction and commence operation in mid-2013. The successful development and future operation and management of this project would have a far-reaching significance for the Group to explore overseas markets. Since the Group's investment in TICT at the beginning of this year, its business volume has increased by nearly 30.0% and the performance results have improved by 60.0%.

In respect of optimizing the layout of domestic ports, following the joint ventures which involves Qingdao Port (Group) Co. Ltd ("QPG") in container terminal operations, QQCTU, at the end of 2009 and bulk cargo terminal operations, QQTU, in 2010, the Group has further intensified its cooperation with QPG during this year. On the basis of QQCTU, the Group established a new entity through joint venture, the Qingdao Qinwan United Advanced Container Terminal Co., Ltd. ("QQCTUA") with APL Co. Pte Ltd. and SITC Container Lines Company Limited, so as to create the asset cooperation ties between the Group and these shipping companies by operating two berths at QQCTU. QQCTU held 70% equity interests of QQCTUA. A series of successful cooperation with QPG have enhanced the business scale and operation efficiency of our ports in Qingdao, and also increased the degree of participation of the Group in the market of the Bohai Rim region, which laid a solid foundation for further cooperation in the next step.

In respect of integrating the homebase port in Western Shenzhen, the Group established an operating centre based in Shekou to oversee the co-ordination of the business operations of ports within the Shenzhen Western Port Zone in terms of integrating business and management resources for container terminals in the Zone during 2011. The Group built an integrated management system covering business, operation, purchase, outsourcer management, recruitment, training and technology applications. These two ports implemented joint business promotion, optimized the unified route structure, and established a resource coordination mechanism, which further enhanced the efficiency of port resources.

An important measure for the Group to enhance its competitiveness of ports in Western Shenzhen was to leverage on the connectivity offered by the already-established comprehensively-connected shuttle barge network in the Pearl River Delta ("PRD"). The Group continued to take advantage on resources, routes, business and geographical position of Shenzhen Western Port Zone to further enhance the attractiveness of ports in Shenzhen Western Port Zone to container supply in the Pan-Pearl River Delta region in 2011. Members of South China shuttle barge services rose to 28 in 2011. The barge network covered 21 cities, 52 river trade terminals and 40 barge express routes were newly established. The PRD barge volume handled increased by 3.4% compared to the corresponding period of last year. In February 2011, the Group successfully completed its acquisition from Chu Kong Shipping Development Company Limited ("CKS") of the 20% equity stake in CKRTT, otherwise a 100% subsidiary of CKS. This acquisition complemented the connectivity between ports in Western Shenzhen and river terminals in the Pearl River Delta and laid a solid foundation for further cooperation with CKS in future. In 2011, the container throughput handled by CKRTT in collaboration with the Group's Western Shenzhen ports significantly grew 75.0% year-on-year.

In respect of ports management, on the basis of the cost control experience accumulated over recent years, the Group has comprehensively implemented sophisticated measures which brought various tasks to enhanced levels. In 2011, the Group has engaged well-known international consulting firms in order to vigorously promote the establishment of port standardization systems. Through building quantifiable management evaluation tools and establishing normal supervision and control mechanisms, the continuously improving management loop was formed so as to enhance the management level of the Group's terminal units and the management and control capability of its head office on an ongoing basis. Meanwhile, the Group actively promoted the application of IT in management functions. By way of building management models, developing IT application systems, the Group continuously enhanced the overall port management level and improved port resource efficiency and asset effectiveness.

Bonded logistics and cold chain operations

In 2011, the Group's bonded logistics and cold chain operations achieved a revenue of HK$1,414 million, an increase of 119.2% over last year, and an EBIT of HK$581 million, an increase of 31.7% over last year.

In 2011, the Group made significant progress in its bonded logistics operations. As a reflection, the service and development pattern in its bonded port zones became an industrial benchmark with increasing importance in the PRC and its logistics parks ranked top among the bonded logistics port zones in the PRC in terms of, inter alia, cargos handled, efficiency in customs clearance and business innovation. As compared to the same period last year, major business indicators such as the occupancy rate and rental level of warehouses and the number of customs declarations showed rapid growth, with an increase of over 20.0% in the amount of cargos handled via port-cargo-park collaboration and a growth of nearly 70.0% in the profit of its logistics parks. Currently, the business demand in its logistics parks is growing rapidly. The Group will speed up the construction of related facilities and commence the second phase of expansion works for its bonded logistics parks. Looking forward, in view of the construction of the Qianhai-Shenzhen-Hong Kong Modern Service Cooperation Zone, we are full of confidence in the development of our bonded port zones. In the logistics park in Qingdao of China Merchants International Container Terminal (Qingdao) Co. Ltd., we turned into a positive gain from loss in recurrent operating profits due to the growth of revenue driven by the increasing amount of cargos handled. We also realized a positive gain from loss in the Tianjin Haitian Logistics Park of Tianjin Haitian Bonded Logistics Company Limited due to an increase in the occupancy rate of warehouses and storage yards and a decline in costs.

As a platform for the cold chain logistics operation of the Group, China Merchants Americold Holdings Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC") established an initial cold chain logistics network in the PRC in 2011 by making a layout in critical locations and extending its transportation network. As a result, CMAC's reefer transportation capability was further enhanced and its reputation and brand name were initially established in the domestic market. The execution of a strategic cooperation agreement between Yum! Restaurants China and CMAC was one of the top ten events in the cold chain industry of the PRC in 2011. The cold chain logistics industry is highly segmented at present and industrial consolidation and classification will accelerate in the future. In the course of consolidation in the industry, CMAC may gain a favourable position in the market by leveraging on its strengths in resources, management, service and human resources to speed up its business deployment in the market so as to seize market opportunities. The Group considers that, as the development pattern of the PRC economy evolves, the growth in domestic demand will gradually become the primary driver of the economic growth of the PRC, which, together with people's upgrading concept on consumption and stricter requirements on food safety, will bring a broad prospect for the cold chain logistics industry.

In 2011, due to a slowdown in the growth of global trade, the total amount of cargos handled at the two major air cargo terminals in Hong Kong declined by 6.0%, whereas Asia Airfrieght Terminal Company Limited in which the Group is interested handled a total of 700,000 tonnes of cargos, down 1.9% year-on-year alongside an increase in its market share.

Port-related manufacturing operation

In 2011, EBIT generated by the Group's manufacturing operation amounted to HK$1,760 million, an increase of 38.5% over last year.

In 2011, driven by the demand brought by the delivery of new container vessels, the CIMC Group maintained growth momentum in its container sales in spite of the severe downturn in the shipping market. During the year, it sold 1,591,000 TEUs of dry cargo and reefer containers, reflecting a growth of 15.1% year-on-year. Increases in selling prices during the year have led to the revenue of the container business grow more than that in container sales. In 2011, the CIMC Group sold 152,000 units of special road vehicles, reflecting a slight decrease. In 2011, the CIMC Group realized a net profit of RMB3,694 million, an increase of 22.8% over last year.

Corporate social responsibility

Over the recent years, apart from committing itself to maximize the investment returns for shareholders, the Group has also placed great emphasis on performing its corporate social responsibilities as a corporate citizen by vigorously promoting the construction of "green ports" and taking an active part in social welfare and charitable activities.

In respect of the construction of green ports, the Group took an active part in social practices promoting the concept of "energy saving, environment protection and low-carbon economy". As the largest public terminal operator in the PRC and with a view to promoting operating efficiency and social benefits, the Group well answered the calls for energy-saving and emission-reduction by continuously boosting the construction of green ports and speeding up the transformation of its port enterprises into environmentally friendly and cost saving enterprises. The "Low-carbon Green Demonstration Port Zone" established by the Group was listed by the Ministry of Communications as one of the four low-carbon pilot ports in the PRC.

Liquidity and treasury policies

As at 31 December 2011, the Group had approximately HK$6,811 million in cash, 21.8% of which was denominated in Hong Kong dollars, 3.6% in United States dollars, 74.2% in Renminbi and 0.4% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operations, property development and investment, and investment returns from associates and jointly controlled entities, which together contributed HK$4,671 million in total.

During the year, the Group's capital expenditure amounted to HK$3,340 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 2011, the Company had 2,474,411,236 shares in issue. During the year, the Company issued 1,441,000 new shares upon the exercise of share options and received approximately HK$30 million as a result. Other than the above-mentioned newly issued shares, the Company issued 14,942,777 shares under the Company's scrip dividend scheme.

As at 31 December 2011, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 41.2%.

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 2011, the Group's outstanding interest-bearing debts were analyzed as below:

	2011	2010
	HK$'million	*HK$'million*
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	5,239	4,827
Between 1 and 2 years	2,099	2,182
Between 2 and 5 years	3,204	2,813
Not wholly repayable within 5 years	106	1,410
	10,648	11,232
Fixed-rate listed notes payables are repayable:		
In 2013	2,325	2,324
In 2015	3,877	3,879
In 2018	1,536	1,536
	7,738	7,739
Fixed-rate unlisted notes payable is repayable:		
In 2016	3,084	—
Loans from the ultimate holding company		
Within 1 year	1,615	1,748
Between 1 and 2years	985	—
Between 2 and 5 years	—	938
	2,600	2,686
Loans from an intermediate holding company		
Within 1 year	616	—
Between 2 and 5 years	—	587
	616	587
Loan from a non-controlling equity holder of a subsidiary	12	—

Note: all bank borrowings are unsecured except for HK$291 million (2010: HK$451 million).

The interest bearing debts are denominated in the following currencies:

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

	2010						
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Loan from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	4,972	7,739	—	—	—	—	12,711
RMB	6,260	—	—	587	2,686	—	9,533
	11,232	7,739	—	587	2,686	—	22,244

Assets charge

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

As at 31 December 2010, the Company did not have any charge over its assets. The bank loans of HK$68 million and HK$294 million borrowed by subsidiaries were respectively secured by their property, plant and equipment with carrying value HK$71 million and land use right with carrying value HK$558 million.

Employees and remuneration

As at 31 December 2011, the Group employed 7,766 full time staff, of which 257 worked in Hong Kong, and the remaining 7,509 were in the PRC. The remuneration paid for the year amounted to HK$1,482 million, representing 22.3% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to their performance, the conditions of the human resources market and the general economy.

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

Future prospects

In 2012, the global economy and trade is expected to continue to modest growth as exhibited in 2011. As predicted by IMF in a report dated 24 January, in 2012, the growth rate of the global economy is expected to be 3.3% and that of global trade, to be 3.8%, representing a decrease of 0.5 percentage point and 3.1 percentage points respectively as compared to those in 2011. With the European debt crisis remaining the most uncertain factor hindering economic growth, and others such as geo-political tensions and apparently intensifying trade protectionism, the risk of an economic downturn still prevails. As such, the global port business may as a whole reflect a similar trend of continuing softening.

With a major part of the Group's port operations being primarily located in Mainland China, China's sustainable economic growth is expected to continue to serve as a major growth driver for the Group's port operations. In 2012, the Group will continue to adhere to its established development strategy for ports of "exploring overseas markets while optimizing domestic layout" that aims to foster new sources for business growth. It is expected that the Group's ports will see volume growth rate higher than that delivered by the global port industry.

Statistics provided by China's Customs reveal that, in 2011, ASEAN has surpassed Japan to become the third largest trade partner of China after EU and the United States. The trade volume growth in Asia will bring opportunities for the ports in the region. The Group will also work towards aligning itself with the global trend of productivity relocation by exploring investment opportunities in Asia and developing countries in other regions with a view to gradually positioning the Group in the global ports industry and gaining increasing recognition among international port operators.

QQCTU was the port of the Group with most rapid growth in the last year, which was primarily a result of the ablility to attract new sources of containers and cargos supplies and the close cooperation with QPG. In 2012, the Group will continue to pay attention to container terminals, large dedicated bulk terminals and river trade terminals in the PRC with development potentials, as to continuously optimizing its port layout in the PRC.

In 2012, the Group will continue to deepen the integration of its homebase ports in Western Shenzhen so as to enhance the utilization efficiency of resources and assets in the Shenzhen Western Port Zone through business and management integration; elevating its attractiveness to customers in the economic hinterland of the PRD by making continuous efforts to improve the connectivity of the barge network in the PRD by encouraging collaborative co-operation between its homebase ports in Western Shenzhen and river terminals along PRD; continuing to develop the sea-rail inter-modal network so as to expand hinterland coverage; and extend the customer value chain by leveraging on the interactions between the homebase ports in Western Shenzhen, the Group's bonded logistics park and its cold chain logistics service operations.

Further refining operational management remains the Group's on-going task and is expected to help improve the Group's results even amid unfavourable macroeconomic conditions. In 2012, the Group will continue to further refine its operational management in respect of operation procedural standardisation, process innovation and the management of IT application, thereby resulting in releasing underlying potential, enhancing operational efficiency and effectiveness of its existing assets, and effectively mitigating the pressure derived from cost increases and a slowdown in external demand.

In 2012, the development objectives of the Group's bonded port zones will primarily focus on the following aspects: putting more emphasis in promoting and facilitating the expansion of bonded port zones; creating new service patterns for logistics parks and seeking state policy support; reinforcing customer management and attracting premium customers to move into its parks; optimizing business process and enhancing service efficiency; promoting port-cargo-park collaboration and creating synergistic effects; and speeding up parks construction to gain a favourable position in the market.

2012 will be a year for the Group to accelerate market deployment and gain market shares for its cold chain logistics service business in China. The Group intends to achieve the objective of rolling out this business by leveraging on the network already established by CMAC, enhancing strategic partnership with its major customers and customizing turnkey solutions to meet the demand of its major customers; expanding its current business scope and exploring new business drivers; closely monitoring consolidation opportunities in the industry and making use of its competitive edges to develop its cold chain logistics business; and focusing on enhancing the overall service level of the cold chain logistics business — all in all to build up the Group's expertise and brandname in managing the cold chain logistics service and gain recognition in the industry.

2012 is expected to be a year of complex external macroeconomic conditions. However, the Group believes that opportunities coexist with challenges and will approach the year with caution to ensure that, on the one hand, it focuses on making steady progress in line with strategies and objectives already established and, on the other, it captures opportunities in both the domestic and international markets, thereby optimising the interests of shareholders by generating increased profitability for 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 2011 and the 2011 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, the Company has complied with the Code Provisions set out in the CG Code contained in Appendix 14 to the Listing Rules for the time being in force throughout the year ended 31 December 2011.

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.

CHANGE IN AUDITORS

According to the relevant regulations issued by the Ministry of Finance of the PRC and the State-owned Assets Supervision and Administration Commission of the State Council, there are restrictions in respect of the number of years of audit services that an accounting firm can continuously provide to a state-owned enterprise and its subsidiaries. The Company is a subsidiary of China Merchants Group Limited, which is a state-owned enterprise, and the number of years that the Company has continuously engaged its existing auditor, PricewaterhouseCoopers ("PwC"), has exceeded the prescribed time limit. Therefore, PwC will retire as the auditor of the Company with effect from the conclusion of the AGM and will not offer themselves for re-appointment.

China Merchants Group Limited, a shareholder, has given a special notice, pursuant to sections 116C and 132(1) of the Companies Ordinance, of its intention to propose the following resolution as an ordinary resolution at the AGM:-

> "**THAT** Deloitte Touche Tohmatsu be appointed as the auditor of the Company in place of the retiring auditor, PricewaterhouseCoopers, to hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be agreed with the directors of the Company."

With the recommendation from the Audit Committee of the Company, the Board has resolved to propose at the AGM a resolution for the appointment of Deloitte Touche Tohmatsu as the auditor of the Company for the year 2012 in place of the retiring auditor, PwC.

PwC has confirmed in writing that there were no matters in relation to their retirement as the auditor of the Company which should be brought to the attention of holders of securities of the Company. The Board was not aware of any matter regarding the proposed change of auditor that should be brought to the attention of holders of securities of the Company. The Board and the Audit Committee of the Company also confirmed that there were no disagreements or unresolved matters between the Company and PwC.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2011 annual report will be published on the website of the Stock Exchange in due course. Statutory financial statements for the year ended 31 December 2011, which contain an unqualified auditor's report, will be delivered to the Registrar of Companies, and despatched to shareholders as well as made available on the Company's website at http://www.cmhi.com.hk.

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

Hong Kong, 29 March 2012

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