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)

- Throughput of containers handled reached 71.32 million TEUs, up 18.5% (2012: 60.21 million TEUs)
- Throughput of bulk cargoes handled reached 349 million tonnes, up 6.8% (2012: 327 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$4,213 million, up 10.3% (2012: HK$3,818 million)
  - √ HK$3,937 million, up 11.9%, from ports operation (2012: HK$3,518 million)
- Recurrent profit attributable to equity holders of the Company amounted to HK$4,008 million, up 18.8% (2012: HK$3,373 million)
- Basic earnings per share totaled 166.89 HK cents, up 8.9% (2012: 153.26 HK cents)
- Final dividend of 55 HK cents per share (2012: 48 HK cents per share)

2013 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 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** *HK$'million*	**2012** *HK$'million*
Revenue	2	7,758	11,022
Cost of sales		(4,522)	(6,687)
Gross profit		3,236	4,335
Other gains, net	4	438	1,787
Other income	4	176	250
Distribution costs		—	(61)
Administrative expenses		(860)	(1,241)
Operating profit		2,990	5,070
Finance income	5	55	162
Finance costs	5	(1,073)	(1,328)
Finance costs, net	5	(1,018)	(1,166)
Share of profits less losses of			
Associates		3,266	2,754
Joint ventures		543	213
		3,809	2,967
Profit before taxation		5,781	6,871
Taxation	6	(842)	(1,163)
Profit for the year	7	4,939	5,708
Attributable to:			
Equity holders of the Company		4,213	3,818
Non-controlling interests		726	1,890
Profit for the year		4,939	5,708
Dividends	8	1,945	1,744
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		166.89	153.26
Diluted (HK cents)		166.59	153.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	**2013** *HK$'million*	**2012** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		3,318	3,293
Intangible assets		5,274	4,796
Property, plant and equipment		19,034	16,863
Investment properties		1,839	1,534
Land use rights		7,967	7,946
Interests in associates		36,213	28,468
Interests in joint ventures		5,729	5,172
Other financial assets		2,523	2,092
Other non-current assets		1,371	1,130
Deferred tax assets		121	120
		83,389	71,414
Current assets			
Inventories		94	89
Other financial assets		558	369
Debtors, deposits and prepayments	10	1,627	1,400
Taxation recoverable		1	2
Cash and bank balances		3,205	4,192
		5,485	6,052
Non-current assets held for sale		317	—
		5,802	6,052
Total assets		89,191	77,466

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

NOTES:

1 **Basis of preparation**

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

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.

<u>Adoption of new and revised HKFRSs effective during the year</u>

During the year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

Certain presentation and disclosure of financial statements items, as a result of adopting the above, have been incorporated in the consolidated financial statements.

The adoption of these new/revised HKFRSs did not have any material effect on the amounts reported in the consolidated financial statements.

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. The following is an analysis of the Group's revenue from its major products and services offered during the year.

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

3 **Segment information**

The key management team of the Company is regarded as the chief operating decision-maker ("**CODM**"), who reviews the Group's internal reports in order to assess performance and allocates resources and determines the operating segments. The CODM manages the Group's operations by divisions from both a business and geographic perspective.

Individual operating segments are operated by their respective management teams for which discrete financial information is available are identified by the CODM and are aggregated in arriving at the reportable segments of the Group.

From a business and financial perspective, management assesses the performance of the Group's business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation was further evaluated on a geographic basis, including the Pearl River Delta excluding Hong Kong ("**PRD excluding HK**"), Hong Kong, Yangtze River Delta and other locations in prior years. The Group, now active in developing its business operations into overseas market as a means to effectively add new growth drivers to its ports business, changed in the year the structure of its internal reports that the CODM reviews. Specifically, "other locations" in prior years is separated into two reportable segments in the current year, namely "others" under the geographical location of "Mainland China, Hong Kong and Taiwan" and "other locations" outside of Mainland China, Hong Kong and Taiwan.

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

(a) Mainland China, Hong Kong and Taiwan

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

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

Since the structure of the Group's internal organisation has been changed in a manner that causes the composition of the reportable segments of the ports operation to change, the corresponding segment information for the year ended 31 December 2012 and as at 31 December 2012, as appropriate, are restated.

(ii) Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and its associates.

(iii) Port-related manufacturing operations include container manufacturing operated by the Group's associate and construction of modular housing operated by 中國南山開發(集團)股份有限公司 (China Nanshan Development (Group) Incorporation, being an unofficial English Name) ("**China Nanshan**") and its subsidiaries excluding Shenzhen Chiwan Wharf Holdings Limited ("**Shenzhen Chiwan**") and its subsidiaries (the "**Nanshan Outgoing Group**").

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

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

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

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

Over 90% of the revenue of the Group for each of the year ended 31 December 2013 and 2012 were derived in Mainland China.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the year ended 31 December 2013 and 2012.

As at 31 December 2013, non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located is as follows:

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

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

For the year ended 31 December 2013

	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE										
Company and subsidiaries	6,131	190	—	653	42	7,016	702	—	40	7,758
Share of associates	192	838	8,633	—	1,117	10,780	161	18,484	2,798	32,223
Share of joint ventures	3	15	346	1,873	—	2,237	—	—	—	2,237
Total segment revenue	6,326	1,043	8,979	2,526	1,159	20,033	863	18,484	2,838	42,218

For the year ended 31 December 2012 (as restated)

	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE										
Company and subsidiaries	5,814	216	—	623	—	6,653	1,830	720	1,819	11,022
Share of associates	164	802	8,476	—	466	9,908	584	18,257	762	29,511
Share of joint ventures	1	16	294	1,662	—	1,973	—	—	673	2,646
Total segment revenue	5,979	1,034	8,770	2,285	466	18,534	2,414	18,977	3,254	43,179

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

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

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

	For the year ended 31 December 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	2,530	25	55	305	(11)	2,904	1,005	29	1,365	(233)	1,132	5,070
Share of profits less losses of												
- Associates	40	216	1,560	—	131	1,947	130	546	131	—	131	2,754
- Joint ventures	—	1	77	169	—	247	—	—	(34)	—	(34)	213
	2,570	242	1,692	474	120	5,098	1,135	575	1,462	(233)	1,229	8,037
Finance costs, net	(91)	—	—	(58)	1	(148)	(196)	(15)	(223)	(584)	(807)	(1,166)
Taxation	(480)	(4)	(142)	(24)	(8)	(658)	(148)	(34)	(323)	—	(323)	(1,163)
Profit/(loss) for the year	1,999	238	1,550	392	113	4,292	791	526	916	(817)	99	5,708
Non-controlling interests	(694)	—	—	(36)	(44)	(774)	(504)	32	(644)	—	(644)	(1,890)
Profit/(loss) attributable to equity holders of the Company	1,305	238	1,550	356	69	3,518	287	558	272	(817)	(545)	3,818
Other information:												
Depreciation and amortisation	863	8	—	146	1	1,018	189	22	48	7	55	1,284
Capital expenditure	1,258	6	—	371	1,428	3,063	553	37	443	1	444	4,097

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than taxation recoverable and deferred tax assets, and all liabilities are allocated to reportable segments other than taxation payable and deferred tax liabilities.

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

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

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

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

4 Other gains, net and other income

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

5 **Finance income and costs**

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

Note:

Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.81% per annum (2012: 5.42% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to corporate income tax law of the People's Republic of China (the "**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first three or five profit making years and followed by a 50% reduction in PRC corporate income tax for the next three or five years, respectively, thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied if such companies are the beneficial owner of over 25% of these PRC entities according to PRC tax regulations.

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

The amount of taxation charged/(credited) to the consolidated statement of profit or loss represents:

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

Note:

Amount represented PRC corporate income tax in the year ended 31 December 2012 arising from the disposals of two associates established in the PRC.

7 Profit for the year

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

8 Dividends

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

At a meeting held on 31 March 2014, the Board proposed a final dividend of 55 HK cents per share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

The amount of proposed final dividend for 2013 was based on 2,527,004,412 (2012: 2,491,853,388) shares in issue as at 31 March 2014.

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.

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

Note:

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

10 **Debtors, deposits and prepayments**

Debtors, deposits and prepayments balance includes trade debtors of HK$895 million (2012: HK$852 million).

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

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

11 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$334 million (2012: HK$294 million). The ageing analysis of the trade creditors is as follows:

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

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

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

Subject to the approval by shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 23 May 2014, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 31 May 2014. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of 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 4 July 2014.

CLOSURE OF REGISTER

To ascertain shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 16 May 2014 to 23 May 2014 (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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 15 May 2014.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be despatched to shareholders whose names appear on the Register of Members after the close of business at 4:30 p.m. on Thursday, 29 May 2014. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Thursday, 29 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

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

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

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

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

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

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

During the year under review, profit attributable to the Company's equity holders amounted to HK$4,213 million, representing a year-on-year increase of 10.3%. Of this amount, recurrent profit [Note 1] was HK$4,008 million, up 18.8% as compared to the previous year. EBITDA [Note 2] derived from the Group's core ports operation amounted to HK$9,806 million, representing an increase of 10.4% as compared to the previous year, and accounting for 75.7% of the Group's total EBITDA.

Ports operation

In 2013, EBIT [Note 3] derived from the Group's ports operation amounted to HK$7,213 million, representing a year-on-year increase of 12.2% and accounting for 74.8% of the total EBIT of the Group, up from 70.8% last year.

During the year, the Group's ports in Mainland China handled a total container throughput of 56.73 million TEUs, up 4.3% year-on-year, slightly higher than overall growth rate of foreign-trade-derived container throughput of all ports in Mainland China, thus sustaining the Group's leading position among China port operators. Taking into account the container throughput handled by Kao Ming Container Terminal Corporation of Taiwan ("**KMCT**"), in which the Group together with another two Mainland China enterprises acquired a 30% stake in December 2012, the Group handled a combined throughput of 7.08 million TEUs in Hong Kong and Taiwan, an increase of 30.1% year-on-year. Throughput handled by the Group's overseas projects totaled 7.51 million TEUs in 2013, primarily driven by the additional throughput contribution from Port de Djibouti S.A. ("**PDSA**"), Djibouti, and Terminal Link SAS ("**Terminal Link**"), in both of which the Group acquired equity stakes during 2013, as well as the commencement of operations of Colombo International Container Terminals Limited ("**CICT**") in July.

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for both 2013 and 2012, change in fair value of investment properties and financial asset at fair value through profit or loss, and for 2012, gain on disposal of interests in associates and net loss associated with ceasing to control certain subsidiaries.

Note 2 Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and joint ventures

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

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

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

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

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

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

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

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

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

Bonded logistics and cold chain operations

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

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

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

Port-related manufacturing operations

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

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

Corporate social responsibility

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

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

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

Liquidity and treasury policies

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

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

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

Share capital and financial resources

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

As at 31 December 2013, the Group's net gearing ratio was approximately 42.1%.

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

During the year, loans for the amounts of USD500 million and EUR390 million were drawn respectively by the Company and a wholly-owned subsidiary from China Merchants Union (BVI) Limited, a substantial shareholder of the Company, which are repayable within 5 years, to finance the Group's investments and its working capital. Another non-wholly-owned subsidiary of the Company issued fixed-rate unlisted notes with various maturities for the aggregate amount of RMB1,000 million to finance its working capital.

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

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

	2013	**2012**
	HK$'million	*HK$'million*
Floating-rate bank borrowings are repayable as follows (*Note*):		
Within 1 year	1,703	3,712
Between 1 and 2 years	244	135
Between 2 and 5 years	1,777	702
More than 5 years	1,720	335
	5,444	4,884

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

	2013	2012
	HK$'million	*HK$'million*
Fixed-rate listed notes payable are repayable:		
In 2013	—	2,323
In 2015	3,873	3,869
In 2018	1,537	1,534
In 2022	3,821	3,814
	9,231	11,540
Fixed-rate unlisted notes payable are repayable:		
In 2014	636	—
In 2017	633	612
In 2018	631	—
	1,900	612
Loans from the ultimate holding company		
Repayable within 1 year	78	986
Repayable between 2 and 5 years	1,323	—
	1,401	986
Loans from an intermediate holding company		
Repayable between 1 and 2 years	637	—
Repayable between 2 and 5 years	—	617
	637	617
Loans from a shareholder		
Repayable between 2 and 5 years	8,053	—
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	292	183

The interest bearing debts are denominated in the following currencies:

	As at 31 December 2013							
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from a shareholder	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	2,509	9,231	—	3,877	—	—	—	15,617
RMB	2,142	—	1,900	—	637	1,401	—	6,080
EURO	793	—	—	4,176	—	—	292	5,261
	5,444	9,231	1,900	8,053	637	1,401	292	26,958

	As at 31 December 2012							
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from a shareholder	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	3,038	11,540	—	—	—	—	—	14,578
RMB	1,344	—	612	—	617	986	—	3,559
EURO	502	—	—	—	—	—	183	685
	4,884	11,540	612	—	617	986	183	18,822

Assets charge

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

As at 31 December 2013, except for the pledge of the Company's entire shareholding in a subsidiary to a bank for bank facilities granted to that subsidiary as disclosed in the preceding paragraph, the Company did not have any charge over its assets.

Employees and remuneration

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

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

Future prospects

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

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

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

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

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

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

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

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

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

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has 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 2013 and the 2013 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 (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 during the year.

In the opinion of the Directors, the Company has complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and code provisions with which listed issuers are expected to follow and comply throughout the year ended 31 December 2013, except the following:

In respect of Code Provision E.1.2, due to business trip, Dr. Fu Yuning, the Chairman of the Board, did not attend the AGM held on 18 June 2013. Mr. Li Jianhong, the Vice Chairman took the chair of the AGM according to the Company's articles of association. In order to ensure effective communication with the shareholders, members of the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor were present at the AGM to answer shareholders' questions.

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year.

PROPOSED ADOPTION OF THE NEW ARTICLES OF ASSOCIATION

The new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**New Companies Ordinance**") became effective on 3 March 2014. In response to the introduction of the New Companies Ordinance, the Board proposed that a number of amendments (the "**Proposed Amendments**") be made to the existing articles of association of the Company (the "**Articles of Association**"). At the same time, it is also proposed that minor "housekeeping" amendments be made to the existing Articles of Association. An explanatory statement which outlines the reasons for the Proposed Amendments will be provided in the circular to be despatched to the shareholders of the Company. The Board would like to take this opportunity to propose that a new Articles of Association incorporating the relevant amendments be adopted to replace the existing Articles of Association.

The adoption of the new Articles of Association will be subject to approval by shareholders of the Company by way of a special resolution at the AGM. A circular containing, among other things, an explanatory statement in relation to the Proposed Amendments and the proposed new Articles of Association, together with a notice of AGM will be despatched to the shareholders of the Company as soon as practicable.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2013 annual report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmhi.com.hk.

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

Hong Kong, 31 March 2014

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.