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 80.84 million TEUs, up 13.4% (2013: 71.32 million TEUs)
- Throughput of bulk cargoes handled reached 363 million tonnes, up 4.1% (2013: 349 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$4,526 million, up 7.4% (2013: HK$4,213 million)
  - √ HK$4,330 million, up 10.0%, from ports operation (2013: HK$3,937 million)
- Recurrent profit attributable to equity holders of the Company amounted to HK$4,599 million, up 14.7% (2013: HK$4,008 million)
- Basic earnings per share totaled 159.41 HK cents, down 4.5% (2013: 166.89 HK cents)
- Final dividend of 55 HK cents per share (2013: 55 HK cents per share)

2014 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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** *HK$'million*	**2013** *HK$'million*
Revenue	2	8,257	7,758
Cost of sales		(4,737)	(4,522)
Gross profit		3,520	3,236
Other (losses)/gains, net	4	(110)	438
Other income	4	198	176
Administrative expenses		(1,017)	(860)
Operating profit		2,591	2,990
Finance income	5	164	55
Finance costs	5	(1,023)	(1,073)
Finance costs, net	5	(859)	(1,018)
Share of profits less losses of			
Associates		4,105	3,266
Joint ventures		332	543
		4,437	3,809
Profit before taxation		6,169	5,781
Taxation	6	(1,151)	(842)
Profit for the year	7	5,018	4,939
Attributable to:			
Equity holders of the Company		4,526	4,213
Non-controlling interests		492	726
Profit for the year		5,018	4,939
Dividends	8	1,971	1,945
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		159.41	166.89
Diluted (HK cents)		159.28	166.59

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	HK$'million	*HK$'million*
Profit for the year	5,018	4,939
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	(1,066)	1,350
Increase in fair value of available-for-sale financial assets, net of deferred taxation	1,371	6
Share of investment revaluation reserve of associates	180	(197)
Items that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates and a joint venture	96	51
Share of net actuarial (loss)/gain on defined benefit plans of associates	(29)	13
Total other comprehensive income for the year, net of tax	552	1,223
Total comprehensive income for the year	5,570	6,162
Total comprehensive income attributable to:		
Equity holders of the Company	5,272	5,224
Non-controlling interests	298	938
	5,570	6,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	**2014** *HK$'million*	**2013** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		3,167	3,318
Intangible assets		5,650	5,274
Property, plant and equipment		19,982	19,034
Investment properties		1,757	1,839
Land use rights		7,938	7,967
Interests in associates		37,731	36,213
Interests in joint ventures		6,408	5,729
Other financial assets		4,215	2,523
Other non-current assets		1,645	1,371
Deferred tax assets		58	121
		88,551	83,389
Current assets			
Inventories		108	94
Other financial assets		580	558
Debtors, deposits and prepayments	10	3,693	1,627
Taxation recoverable		3	1
Cash and bank balances		9,501	3,205
		13,885	5,485
Non-current assets held for sale		—	317
		13,885	5,802
Total assets		102,436	89,191

	Note	**2014** *HK$'million*	**2013** *HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		17,918	253
Mandatory convertible securities		15,280	—
Reserves		32,821	46,956
Proposed dividend	8	1,411	1,390
		67,430	48,599
Non-controlling interests		7,716	7,827
Total equity		75,146	56,426
LIABILITIES			
Non-current liabilities			
Loans from shareholders		1,065	10,013
Other financial liabilities		12,231	14,528
Other non-current liabilities		1,421	1,523
Deferred tax liabilities		2,208	1,949
		16,925	28,013
Current liabilities			
Creditors and accruals	11	3,094	2,126
Loans from shareholders		1,318	78
Other financial liabilities		5,357	2,339
Taxation payable		596	209
		10,365	4,752
Total liabilities		27,290	32,765
Total equity and liabilities		102,436	89,191
Net current assets		3,520	1,050
Total assets less current liabilities		92,071	84,439

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.

Adoption of new and revised HKFRSs effective during the year

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The adoption of these new or revised HKFRSs above has had no material effect on the amounts reported or disclosures set out in the consolidated financial statements.

2 **Revenue**

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations and property investment. The following is an analysis of the Group's revenue from its major services offered during the year.

	2014	**2013**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	7,466	7,016
Logistics services income (including rental income)	747	702
Gross rental income from investment properties	44	40
	8,257	7,758

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, allocate resources and determine 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 operation 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 is further evaluated on a geographic basis as set out below:

  (a) Mainland China, Hong Kong and Taiwan

    - Pearl River Delta excluding Hong Kong ("PRD excluding HK")
    - Hong Kong
    - Yangtze River Delta
    - Others

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

(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 and joint ventures.

(iii) Port-related manufacturing operations represents container manufacturing operated by the Group's associate.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

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 2014 and 2013 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 2014 and 2013.

As at 31 December 2014, 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:

	2014	**2013**
	HK$'million	*HK$'million*
Mainland China, Hong Kong and Taiwan	67,894	65,509
Other locations	16,384	15,236
	84,278	80,745

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 2014

	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	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	6,263	215	—	687	301	7,466	747	—	44	8,257
Share of associates	208	861	8,815	—	1,241	11,125	134	22,396	2,964	36,619
Share of joint ventures	8	18	367	2,136	—	2,529	9	—	—	2,538
Total segment revenue	6,479	1,094	9,182	2,823	1,542	21,120	890	22,396	3,008	47,414

For the year ended 31 December 2013

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

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 2014											
	Ports operation						**Bonded logistics and cold chain operations**	**Port-related manufacturing operation**	**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)	2,549	34	65	234	(81)	2,801	(70)	—	63	(203)	(140)	2,591
Share of profits less losses of												
- Associates	61	184	2,154	—	660	3,059	35	797	214	—	214	4,105
- Joint ventures	—	—	118	220	—	338	(6)	—	—	—	—	332
	2,610	218	2,337	454	579	6,198	(41)	797	277	(203)	74	7,028
Finance costs, net	(82)	—	—	(58)	(51)	(191)	(25)	—	—	(643)	(643)	(859)
Taxation	(506)	(6)	(477)	(41)	(15)	(1,045)	(48)	(36)	(16)	(6)	(22)	(1,151)
Profit/(loss) for the year	2,022	212	1,860	355	513	4,962	(114)	761	261	(852)	(591)	5,018
Non-controlling interests	(589)	—	—	(40)	(3)	(632)	140	—	—	—	—	(492)
Profit/(loss) attributable to equity holders of the Company	1,433	212	1,860	315	510	4,330	26	761	261	(852)	(591)	4,526
Other information:												
Depreciation and amortisation	878	9	—	146	92	1,125	129	—	—	7	7	1,261
Capital expenditure	470	39	—	395	2,472	3,376	267	—	—	1	1	3,644

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 2013

	Ports operation: Mainland China, Hong Kong and Taiwan: PRD excluding HK	Ports operation: Mainland China, Hong Kong and Taiwan: Hong Kong	Ports operation: Mainland China, Hong Kong and Taiwan: Yangtze River Delta	Ports operation: Mainland China, Hong Kong and Taiwan: Others	Ports operation: Other locations	Ports operation: Sub-total	Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations: Other investments	Other operations: Corporate function	Other operations: Sub-total	Total
	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

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 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	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)	24,138	234	4,297	4,429	11,010	44,108	4,472	—	1,843	7,813	9,656	58,236
Interests in associates	1,439	1,598	17,316	—	6,088	26,441	378	7,679	3,233	—	3,233	37,731
Interests in joint ventures	3	6	927	5,471	—	6,407	1	—	—	—	—	6,408
Total segment assets	25,580	1,838	22,540	9,900	17,098	76,956	4,851	7,679	5,076	7,813	12,889	102,375
Taxation recoverable												3
Deferred tax assets												58
Total assets												102,436
LIABILITIES												
Segment liabilities	(3,840)	(42)	—	(1,789)	(6,931)	(12,602)	(1,160)	—	(8)	(10,716)	(10,724)	(24,486)
Taxation payable												(596)
Deferred tax liabilities												(2,208)
Total liabilities												(27,290)

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

	As at 31 December 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	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)

4 **Other (losses)/gains, net and other income**

	2014	**2013**
	HK$'million	*HK$'million*
Other (losses)/gains, net		
Increase in fair value of investment properties	22	68
Increase in fair value of financial asset at fair value through profit or loss	22	189
Gain on disposal of land use rights and property, plant and equipment	59	23
Net exchange gains	3	158
Impairment loss of goodwill and intangible assets	(216)	—
	(110)	438
Other income		
Dividend income from available-for-sale financial assets		
- listed equity investments	62	63
- unlisted equity investments	24	22
Dividend income from financial asset at fair value through profit or loss	29	29
Others	83	62
	198	176

5 Finance income and costs

	2014 *HK$'million*	2013 *HK$'million*
Finance income from:		
Interest income from bank deposits	156	44
Others	8	11
	164	55
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(132)	(223)
- not wholly repayable within five years	(164)	(39)
Listed notes payable		
- wholly repayable within five years	(325)	(393)
- not wholly repayable within five years	(200)	(199)
Unlisted notes wholly repayable within five years	(95)	(56)
Loans from:		
- a non-controlling equity holder of a subsidiary	(15)	(9)
- shareholders	(254)	(286)
Others	(13)	(39)
Total borrowing costs incurred	(1,198)	(1,244)
Less: amount capitalised on qualifying assets (Note)	175	171
Finance costs	(1,023)	(1,073)
Finance costs, net	(859)	(1,018)

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 4.36% per annum (2013: 4.81% 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% (2013: 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 five profit making years and followed by a 50% reduction in 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 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 to the consolidated statement of profit or loss represents:

	2014	**2013**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	5	7
PRC corporate income tax	455	465
Overseas profit tax	1	—
PRC withholding income tax	470	182
Overseas withholding income tax	16	16
Deferred taxation		
Origination and reversal of temporary differences	204	172
	1,151	842

7 Profit for the year

	2014	2013
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Cost of inventories	49	18
Staff costs (including Directors' and chief executive's emoluments)	1,492	1,329
Depreciation of property, plant and equipment	1,063	1,017
Amortisation of intangible assets and land use rights	198	207
Auditors' remuneration	19	16
Operating lease rentals in respect of		
- land and buildings	216	239
- plant and machinery	106	105

8 Dividends

	2014	2013
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2013: 22 HK cents) per share	560	555
Final, proposed, of 55 HK cents (2013: 55 HK cents) per share	1,411	1,390
	1,971	1,945

At a meeting held on 31 March 2015, 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 2014 was based on 2,564,503,798 (2013: 2,527,004,412) shares in issue as at 31 March 2015.

9 **Earnings per share**

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the followings data:

	2014	2013
Basic		
Profit attributable to equity holders of the Company (HK$'million)	4,526	4,213
Weighted average number of ordinary shares in issue (Note (a))	2,839,277,888	2,524,195,286
Basic earnings per share (HK cents)	159.41	166.89
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	4,526	4,213
Weighted average number of ordinary shares in issue (Note (a))	2,839,277,888	2,524,195,286
Effect of dilutive potential ordinary shares: Adjustment for share options (Note (b))	2,281,467	4,621,058
Weighted average number of ordinary shares for diluted earnings per share	2,841,559,355	2,528,816,344
Diluted earnings per share (HK cents)	159.28	166.59

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the year and (ii) the ordinary shares that will be issued upon conversion of the Mandatory Convertible Securities ("MCS") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represents the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options. Calculation 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) is 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$1,031 million (2013: HK$895 million).

The Group has a credit policy of allowing an average credit period of 90 days (2013: 90 days) to its trade customers. The ageing analysis of trade debtors, net of provision for impairment of trade debtors, is as follows:

	2014	**2013**
	HK$'million	*HK$'million*
Not yet due	433	287
Days overdue		
- 1 - 90 days	481	508
- 91 - 180 days	102	78
- 181 - 365 days	12	16
- Over 365 days	3	6
	1,031	895

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$269 million (2013: HK$334 million). The ageing analysis of the trade creditors is as follows:

	2014	**2013**
	HK$'million	*HK$'million*
Not yet due	110	155
Days overdue		
- 1 - 90 days	72	102
- 91 - 180 days	31	6
- 181 - 365 days	8	8
- Over 365 days	48	63
	269	334

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$1,411 million for the year ended 31 December 2014 by way of an issue of new shares with an alternative to the shareholders of the Company (the "**Shareholders**") to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2013: scrip dividend of 55 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 10 July 2015 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 4 June 2015 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 27 May 2015, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 8 June 2015. 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 10 July 2015.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 20 May 2015 to 27 May 2015 (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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 19 May 2015.

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, 4 June 2015. 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, 4 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

General Overview

During the year under review, global economy has been, in general, growing at a moderate pace. The persistence of the post financial crisis economic structural adjustments has led to mixed performance of various economies, hindering the world's economic recovery. Meanwhile, the emergence of new risks, such as intensifying geopolitical conflicts in certain territories and the regional epidemics of disease, are also threatening the economic growth. With adjustments in fiscal rectification measures and the appropriate easing of monetary policies, developed economies have seen revival in consumption demand, yet investment appetite remained soft. Amid the solid recovery trend shown in the economy of the United States, the European countries, while demonstrating varying performances, have yet to show sustainable recovery as a whole. On the other hand, the economic growth demonstrated by Japan in the earlier part of 2014 has failed to sustain throughout the year, with its long-term growth momentum yet to be restored. Emerging economies, having been deterred by the sluggish demand growth of developed economies and problems posed by their respective economic structures, have yet to extricate themselves from the prevailing deceleration of economic growth, while being compounded with risks such as the abrupt worsening of financial structures and reversal of capital flows in the face of the tapering of the US monetary policies. According to the latest "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") on 20 January 2015, global economic growth was 3.3% in 2014, similar to that of 2013, of which developed economies grew at 1.8%, up 0.5 percentage point as compared to 2013; while developing economies grew by 4.4%, down 0.3 percentage point from that of last year. Global trade volume (including goods and services) expanded by 3.1%, a decrease of 0.3 percentage point comparing to the growth rate for the previous year.

In 2014, along with a decline in China's GDP growth to 7.4% was a significant slowdown in its foreign trade growth, with its total import and export value amounting to US$4,303.0 billion, representing a year-on-year increase of 3.4%, a decrease of 4.2 percentage points in growth rate, within which total export value was US$2,342.7 billion, indicating a 6.0% year-on-year increase, a decline of 1.9 percentage points against last year's; while total import value was US$1,960.3 billion, representing an increase of 0.5% year-on-year, a decrease of 6.8 percentage points against last year's.

With the combined effect of the slow recovery in global economy and the stagnant growth in consumption demand, growth in global ports industry continued its decelerating trend. Data published by the Ministry of Transport of China showed that container throughput handled by Chinese ports of significant scale totaled 201 million TEUs in 2014, an increase of 6.3% year-on-year but a decline of approximately 0.4 percentage points as compared to the growth rate of last year.

In 2014, the Group's ports handled a total container throughput of 80.84 million TEUs, a year-on-year increase of 13.4%, with the container throughput handled by the Group's ports in Mainland China up 5.0% year-on-year. Bulk cargo volume handled by the Group's ports was 363 million tonnes, translating into a 4.1% year-on-year increase. The operating results of China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, has bottomed out amid the constant growth seen in its energy, chemicals and liquid food equipment businesses, and the turnaround of its marine engineering business. As for its container manufacturing business, CIMC recorded sales of dry cargo containers and reefers of 1.51 million TEUs during the year, representing 25.4% year-on-year growth; while sales of road transportation vehicles increased by 9.9% year-on-year to 0.12 million units. During 2014, revenue generated by CIMC was RMB69,668 million, an increase of 21.4% as compared to that of last year, while profit attributable to equity holders was RMB2,478 million, up 13.6% year-on-year.

During the year under review, profit attributable to equity holders of the Company amounted to HK$4,526 million, representing a year-on-year increase of 7.4%. Recurrent profit [Note 1] was HK$4,599 million, up 14.7% as compared to that of last year. EBITDA [Note 2] derived from the Group's core ports operation totaled HK$10,815 million, up 10.3% year-on-year, accounting for 79.5% of the Group's total EBITDA.

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for 2014, change in fair value of investment properties and financial asset at fair value through profit or loss and impairment loss; while for 2013, change in fair value of investment properties and financial asset at fair value through profit or loss.

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.

Business review

Ports operation

Container throughput handled by the Group's ports operation totaled 80.84 million TEUs in 2014, up 13.4% year-on-year, amongst which the Group's ports in Mainland China contributed container throughput of 59.56 million TEUs, representing a growth of 5.0% year-on-year which is slightly higher than the overall growth rate of the foreign-trade-related container throughput handled by all Chinese ports, thereby enabling the Group to maintain its leading position among China port operators. The Group's operations in Hong Kong and Taiwan recorded an aggregate container throughput of 7.22 million TEUs, up 2.1% year-on-year. Driven by the acquisitions of equity interest in Port de Djibouti S.A. ("**PDSA**") in Djibouti, East Africa, and in Terminal Link SAS ("**Terminal Link**") successively in 2013, together with Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka becoming fully operational, container throughput contributed by the Group's overseas ports grew 87.1% year-on-year to 14.06 million TEUs. The Group's bulk cargo handling operations recorded a throughput of 363 million tonnes, representing a growth of 4.1% year-on-year, within which ports operation in Mainland China delivered a cargo volume of 359 million tonnes, up 4.0% year-on-year, while PDSA, on the overseas front, handled 4.27 million tonnes of bulk cargoes, up 12.0% year-on-year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a container throughput of 11.03 million TEUs in 2014, down 3.2% year-on-year, amid a 40% decline in domestic volume attributing to the Group's effort in driving a business realignment that aims at optimization of its container mix, and despite a 4.5% year-on-year growth in international volume. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 1.22 million TEUs, up 2.3% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 23.99 million tonnes, down 30.7% year-on-year, due mainly to the business transformation pursued by the Group in the Pearl River Delta region. Dongguan Machong Terminal, helped by its addition of new capacity, handled a bulk cargo throughput of 9.64 million tonnes in 2014, up by 58.3% year-on-year.

Xiamen Bay Economic Zone

In the south-eastern coastal region, with the refinement in container mix that aims at reducing domestic transshipment volume, thereby lifting profitability, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") has recorded a container throughput of 0.41 million TEUs in 2014, a decline of 27.8% year-on-year. Bulk cargo handled by ZCMP amounted to 10.67 million tonnes, up 10.6% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 35.29 million TEUs, up 5.0% year-on-year, and a bulk cargo throughput of 186 million tonnes, down 8.7% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 2.50 million TEUs, an increase of 21.1% year-on-year.

Bohai Rim region

Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 5.98 million TEUs, an increase of 14.4% year-on-year. With the gradual relocation of iron ore handling operations to Dongjiakou, Qingdao Qianwan West Port United Container Terminal Co., Ltd. recorded a year-on-year drop of its bulk cargo throughput by 23.8%, to 16.86 million tonnes. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("**Dongjiakou Terminal**"), in which the Group has become a shareholder since March 2014, contributed an additional bulk cargo throughput of 34.23 million tonnes, while Tianjin Five Continents International Container Terminals Co., Ltd. handled a container throughput of 2.57 million TEUs, up 11.7% year-on-year.

South-West region of China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.58 million TEUs, up 51.4% year-on-year; while its bulk cargo throughput handled was 76.93 million tonnes, an increase of 12.9% year-on-year.

Hong Kong and Taiwan

Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered a combined container throughput of 5.89 million TEUs, down 0.3% comparing with that of last year, while Kao Ming Container Terminal Corporation in Taiwan handled a container throughput of 1.33 million TEUs, up 13.8% year-on-year.

Overseas operation

Overseas operation delivered a container throughput of 14.06 million TEUs in aggregate. Terminal Link, the acquisition of its 49% equity stake by the Group was completed in June 2013, contributed a container throughput of 12.05 million TEUs, up 92.7% year-on-year. PDSA handled a container throughput of 0.86 million TEUs, up 16.3% year-on-year. Tin-Can Island Container Terminal Limited ("**TICT**") in Nigeria handled a container throughput of 0.43 million TEUs, down slightly by 6.9% year-on-year. CICT in Sri Lanka, which commenced operations in July 2013 and with new capacity added by stages during 2014, contributed a container throughput of 0.69 million TEUs. Lomé Container Terminal S.A. ("**LCT**") in Togo has also marked the commencement of its trial operation in October 2014.

<u>Strategic Deployments in the Ports Operation</u>

During the year under review which was prevailed with adverse external operating environment, the Group, guided by its directives of "integrating and optimizing resources, transforming and refining operations, intensifying the execution of strategies, thereby elevating the business scale, service quality and asset efficiency", has strived, on one hand, to enhance asset utilisation of the Group's existing portfolio through its continual effort in facilitating the refinement of operational processes, the promotion of technical innovations, the elevation of operational management capabilities, and the adherence to cost saving and efficiency improving measures, whilst, on the other hand, to further inject impetus into the sustainable growth of the Group, guided by its established strategic orientations, through deepening its effort in the establishment of homebase port in West Shenzhen and the expansion of its overseas business footprint, thus optimizating resources allocations and creating synergies built upon the Group's global port network, as well as prolonging the ports value chain and promoting business model innovation.

In terms of overseas expansion, ongoing progress has been made as planned, in turn yielding fruitful results. Leveraging on the superior geographical location and service quality, CICT, the Group's first-ever overseas greenfield project, which commenced operation in July 2013, was off to a solid start, exceeding the original expectation by achieving a container throughput of 0.69 million TEUs during 2014, with business still growing rapidly. The Group has been ardently facilitating the development of an overseas homebase port, with a plan to turn CICT into the Group's regional headquarters which complements and synergizes with the Group's existing terminals in Mainland China, as well as the place for testifying innovative measures on various fronts, all in all to create precedents for replication globally, thereby enabling the Group to further internationalize its existing overseas operation while laying a solid foundation for the Group's aspiration of becoming a "world-class" corporation. In addition, LCT in Togo, in which the Group has 50% equity interest, commenced trial operation of its phase one development, comprising 700 meters of shoreline, in October 2014, which synergizes with TICT in Nigeria to further anchor the Group's presence and influence in the West Africa region. In terms of overseas expansion, the multipurpose port at Doraleh, a development project under PDSA, in which the Group owns a 23.5% equity interest, in Djibouti, kickstarted its construction in August 2014, which marked the commencement of the improvement and upgrading project in Djibouti the Group is actively involved in, and to a larger extent a step forward in exploring and facilitating the development of an integrated ports operation model. Meanwhile, the promotion of the establishment of a cooperative platform along the "One Belt, One Road" initiative by China will also provide a strong support to the Group's expansion overseas.

Regarding the on-going establishment of its West Shenzhen homebase ports, conforming with the industry development trends and the urbanization process in the region, the Group has been actively seeking to transform and upgrade the West Shenzhen Port Zone, with an aim of optimizing resources allocation and enhancing asset efficiency. In 2014, the South China Container Terminal ("**SCCT**"), a management unit overseeing the container handling ports in the West Shenzhen Port Zone, continued to dedicate its efforts in consolidating the port activities within the region, an example of which is the integration of the ports under SCCT's management with Jetty Two West currently operated by China Merchants Port Services (Shenzhen) Co., Ltd., a subsidiary of the Group, which is of significant importance to the Group in terms of synchronization of resources, creation of synergies and elevation of overall competitiveness of the West Shenzhen Port Zone. The Group's self-developed container terminal operation system, "CM Port", went live successfully in Shekou Container Terminals Limited during the year, symbolizing a noticeable progress made towards the adoption of a terminal operating system self-developed by a subsidiary of the Group, China Merchants Holdings (International) Information Technology Company Limited, by all container terminals in the West Shenzhen Port Zone.

Regarding improvements in the barge network in Pearl River Delta, "One Port", a barge service platform self-developed by the West Shenzhen Port Zone, which offers web-based functions that enable users to track estimated time of arrival for bulk vessels and to handle cargo manifest, and which allows sharing of declaration information between various ports in the West Shenzhen Port Zone, went live successfully during the year under review, leading to a win-win situation whereby better utilisation of the barge-dedicated berths within the West Shenzhen Port Zone can be achieved, while utilisation rate of the barges calling at the West Shenzhen Port Zone can be lifted. The promotion and application of "One Port" will reinforce the loyalty of barge customers in the Pearl River Delta with the Group's homebase ports, hence further strengthening the hinterland reach-out of the West Shenzhen Port Zone in the Pearl River Delta region.

Apart from the continuous enhancement in its handling capabilities, the Group's West Shenzhen Port Zone, a total area of 38,000 square kilometer within which having been included as part of the China (Guangdong) Free Trade Pilot Zone ("**Guangdong Free Trade Zone**") in December 2014, will also be presented with enormous benefits that are expected to come along with relevant governmental policies, which put the

Group in a favourable position in exploring possible business transformation and upgrading opportunities at the existing ports, the possible simplification of the customs processes and the potential development of innovative models, thus injecting impetus to fuel the further development of the Group's homebase port.

As for the Group's operation in other parts of China, aiming towards a better alignment of port assets, the Group has been proactively interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities. Having completed the equity injection in Dongjiakou Terminal in March 2014, the Group has also become the second largest shareholder of Qingdao Port International Co., Ltd. by acquiring, as a promoter, an equity stake when the latter went public in June 2014 and became listed on the main board of The Stock Exchange of Hong Kong Limited. These equity investments combined would further strengthen and deepen the already-established long-term partnership between, and thus bringing mutual benefits to, the parties involved. In terms of the management of existing portfolio assets, having considered the significant profit contribution by SIPG, CIMC and the various overseas projects to the Group's, the Group had been laying stress on and striving to optimize its asset quality through comprehensive and systematic reorganization, and evaluation and analysis of its existing portfolio, in order to establish a solid foundation for sustainable development of the Group.

As for the managing of ports operation, a refined management platform co-developed by the Group and an internationally well-known consultancy firm, backed by the adoption of "big data" technology, which captures all operational data on a standardized basis and is designed to avail an efficient management reporting and assessment mechanism through the establishment of a unified corporate database, went live in July 2014. Not only does this platform improve decision-making efficiency and enhance management quality, it also significantly supports performance evaluation processes. The fact that this project was awarded with the First Prize of "Achievement in Modernized and Innovative Management among the Transport Corporations in China" (《全國交通運輸企業管理現代化創新成果》一等獎) in 2014 by the China Association of Communications Enterprises Management indicates the wide industry recognition of the platform.

In regards to innovative developments, to capture opportunities offered by the rapid growth of "new economy" and "new technology", the Group has also been actively promoting innovative management under the operating philosophy of "driving development through innovation", by setting up an innovation and development committee alongside an incentive scheme to encourage innovation in technological process and business model, all in all with an aim of bringing the Group's innovation management to a higher level. On the aspect of technological innovations, the pilot run of the "Remote Control Rubber Tyred Gantry Crane (RTG) Project", the vanguard in China, implemented in the West Shenzhen Port Zone was a brave and innovative move towards automation in a traditional terminal environment, and was awarded by the China Association of Communications Enterprises Management with the First Prize of "Technological Innovation among the Transport Corporations in China" (《全國交通運輸企業科技創新》一等獎) in 2014. With regards to innovation in business model, guided by the "internet thinking" and out of customers' demand, and integrating with its core business competencies, the Group has joined force with companies under COFCO Limited to form "exgrain.com", an integrated trading platform for grains, through COFCO & CM (Shenzhen) Grain Electronic Trading Center Co., Ltd. ("**CMGE**"), a joint venture established in Qianhai, Shenzhen in October 2014, which incorporates the elements of "trade, logistics and financing" in optimizing the supply chain of grains and in turn creating value for customers. By assimilating the business model of new modern industry and that of a conventional port, the Group has taken a substantial leap forward in penetrating deeper into a supply chain service provider stretching out from its core ports operation.

Bonded logistics and cold chain operations

The Group's bonded logistics operation continued to maintain relatively rapid growth in 2014. Capitalizing on the development opportunities available from the latest development at Qianhai Cooperation Zone and the preferential policies offered at the Qianhai Bonded Port Zone, China Merchants Bonded Logistics Co., Ltd. ("**CMBL**"), a subsidiary of the Group, has been actively pursuing the innovation of bonded logistics operation model and exploring potential business opportunities offered through cross-border trading activities and cooperation between Shenzhen and Hong Kong via the extension of the port's value chain. Supported by the relevant government authorities, CMBL has successfully launched the tax refund service in 2014 for the "last mile" cross-border e-commerce exports, signifying the extension of the cross-border e-commerce export business to the entire supply chain. Being the pilot unit for cross-border e-commerce imports in Shenzhen, the Qianhai Bonded Port Zone, in which the Group runs its bonded logistics operation, is well positioned to promote the development of cross-border e-commerce import business, thus opening door to potential market expansion and the nurturing of new profit drivers for the Group. Under the philosophy of "business model and service innovation, and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in developing the consolidation and deconsolidation business for international transshipment cargoes, expanding service capabilities and integrating conventional with new business models, thus achieving noticeable growth in the operating results of the zone. Leveraging on the incentive policies available at the

Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobiles (whole vehicles) with a view to building up its unique competitive edge in the region. Against the backdrop of a feeble growth in global economic and trade activities, the Group's bonded logistics business has demonstrated a consistent and rapid growth momentum, which reflected not only the ever increasing synergy via collaboration between bonded logistics parks and their corresponding port zones, but also the value of the Group's strategy in extending the port's value chain and developing bonded logistics business.

During the year, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 3.85 million tonnes, representing an increase of 9.7% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.59 million tonnes, down 22.6% year-on-year.

On 5 January 2015, the Group entered into a share purchase agreement with China Merchants Shipping and Enterprise Company Limited ("**CMSE**"), a wholly-owned subsidiary of the Company's ultimate holding company, China Merchants Group Limited, pursuant to which the Company agreed to dispose a wholly-owned subsidiary which holds the Group's cold chain operation, through a 51% equity interest in China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, at a total consideration of HK$760 million along with the assignment of relevant shareholder's loan to CMSE, which is in alignment with the Group's strategy of monitoring regularly and restructuring, as appropriate, non-core businesses from time to time.

Port-related manufacturing operation

With the continued recovery in the US economies, the relatively stable demand from Europe, and the delivery of new vessels, global shipping industry has seen capacity demand reviving during the year, resulting in a rebound in the container manufacturing business, which, together with the constant growth in its energy, chemical and liquid food equipment businesses and the turnaround of the marine engineering business, has seen CIMC's operating results bottom out. CIMC recorded profit attributable to equity holders of RMB2,478 million in 2014, up 13.6% year-on-year, while its sales of dry cargo containers and reefers was 1.51 million TEUs, up by 25.4% year-on-year, and sales of road transportation vehicles amounted to 0.12 million units, representing a year-on-year increase of 9.9%.

Financial review

Revenue Note 3 of the Group for the year ended 31 December 2014 reached HK$47,414 million, up 12.3% year-on-year, with that from the Group's core ports operation growing 5.4% to HK$21,120 million from HK$20,033 million a year ago, as a result of an improvement in the container mix of the Group's existing portfolio and added contribution from new overseas operations. Profit attributable to equity holders of the Company for the year amounted to HK$4,526 million, up 7.4% year-on-year, within which recurrent profit, driven by both continuing growth from existing ports and full-year contributions from overseas assets acquired during the year ended 31 December 2013, and with CIMC delivering an improved set of results, reached HK$4,599 million, representing a growth of 14.7% year-on-year.

EBITDA derived from the Group's core ports operation amounted to HK$10,815 million, up 10.3% year-on-year and accounting for 79.5% of the Group's total EBITDA, while EBITDA margin Note 4 of the Group's core ports operation expanded slightly to 51.2%, from 48.9% achieved in last year, as costs escalation, in particular labour cost, have been somewhat mitigated by the Group's devoted efforts towards efficiency improvements.

In March 2014, the Group launched, by way of an open offer to qualifying shareholders, the Mandatory Convertible Securities ("**MCS**") issue to raise not less than HK$15.3 billion, to be fully underwritten by China Merchants Union (BVI) Limited ("**CMU**") (which is 50% beneficially owned by the Company's ultimate holding company, China Merchants Group Limited). The MCS issue was successfully completed in June 2014, thereby improving the Group's capital structure, in turn lifting the Group's credit profile and enhancing its borrowing capabilities.

As at 31 December 2014, total assets of the Group was HK$102,436 million, representing an increase of 14.9% as compared with a corresponding balance of HK$89,191 million as at 31 December 2013. The Group received net proceeds of HK$15,287 million upon the completion of the MCS issue, of which HK$4,538 million has been utilised in repaying its interest bearing debts during the year, HK$525 million has been used to fund its investment in PDSA, LCT and CMGE, with the rest yet to be utilised, resulting in a year-on-year increase in its cash and bank balances, with net borrowings (total interest bearing debt less cash and bank balances) sitting at HK$10,470 million as at 31 December 2014. Net assets attributable to equity holders of the Company was HK$67,430 million as at 31 December 2014, representing a year-on-year increase of 38.8%.

Note 3 Revenue for the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Note 4 EBITDA as a percentage of revenue.

The Group generated net cash inflow from operating activities of HK$4,709 million for the year ended 31 December 2014, shortened by 9.4% year-on-year as a result of a timing difference in dividend receipt from certain associates, with the Group's ports operation continuing to yield sustainable cash flows. Owing to a substantially less spending on business acquisitions during the year, net cash outflow from investing activities dropped to HK$4,196 million for the year ended 31 December 2014 from HK$7,781 million a year ago. With the proceeds from the MCS issue and the repayment of loans with a portion of such proceeds, net cash inflow from financing activities was HK$5,810 million during the year ended 31 December 2014, comparing to HK$2,917 million in the previous year.

Corporate social responsibility

While striving to continuously improve its operating results and generate returns for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and sustainable direction.

In 2014, the Group continued to fulfill its corporate social responsibility of "saving energy, reducing emission and building low-carbon green environment" by stepping up in the transformation of ports to become more environmental-friendly and energy-conserving through a technology and innovation-driven "green port" establishment. The Group's West Shenzhen Port Zone, being the only state-sponsored demonstration port zone of low-carbon green ports in South China, has been working actively in terms of implementing the pilot programs relating to the establishment of low-carbon green ports, focusing on 13 key implementation programs, including the use of shore-power supply for vessels, LNG trailers and LED energy-saving lamps, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable, powered by clean energy and green power.

The Group is committed to integrating its corporate core values into the community by taking active parts in various community and charitable activities, with focuses on, amongst others, education, poverty alleviation, charitable donations and community services, all in all to facilitate a harmonious environment and sustainable development of our society.

Liquidity and treasury policies

As at 31 December 2014, the Group had approximately HK$9,501 million in cash, 74.7% of which was denominated in Hong Kong dollars, 1.7% in United States dollars, 21.9% in Renminbi and 1.7% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$4,709 million in total.

During the year, the Group incurred capital expenditure amounted to HK$3,644 million while the Group continued to adhere to a prudent financial policy and to maintain a sound financial position. 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

In March 2014, the Group proposed to issue the MCS in the principal amount of not less than HK$15.3 billion by way of an open offer to qualifying shareholders at a subscription price of HK$30.26 on the basis of one unit of MCS for every five ordinary shares, aiming at improving the Group's credit profile and enhancing its borrowing capabilities, and consequently bringing the Group's capital structure to an even stronger level. In June 2014, the issuance of MCS was completed whereby the Company received net proceeds of approximately HK$15,287 million by issuing 505,400,882 units of MCS, with CMU, which is controlled and 50% beneficially owned by the ultimate holding company of the Company, China Merchants Group Limited, fully underwriting the issue.

As at 31 December 2014, the Company had 2,562,648,140 shares in issue. During the year, the Company issued 1,959,700 new shares upon the exercise of share options and received net proceeds of approximately HK$40 million as a result. Other than the above-mentioned newly issued shares, the Company issued 33,776,895 shares under the Company's scrip dividend scheme and issued 221,133 shares upon conversion of the MCS.

As at 31 December 2014, the Group's net gearing ratio was approximately 13.9%.

Although the Group is subject to impacts due to some currency volatility, the resulting effect is not expected to be significant while financial statements of the Group's foreign investments are in Renminbi, Euro or US dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in a reserve of the Group.

During the year, a non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note with maturity in 2015 for the amount of RMB400 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$13,903 million as at 31 December 2014 that contain customary cross default provisions.

As at 31 December 2014, the Group's outstanding interest bearing debts are analysed as below:

	2014	**2013**
	HK$'million	*HK$'million*
Floating-rate bank borrowings which are repayable as follows (*Note*):		
Within 1 year	972	1,703
Between 1 and 2 years	687	244
Between 2 and 5 years	1,508	1,777
More than 5 years	3,045	1,720
	6,212	5,444
Fixed-rate listed notes payable which are repayable:		
In 2015	3,878	3,873
In 2018	1,541	1,537
In 2022	3,828	3,821
	9,247	9,231
Fixed-rate unlisted notes payable which are repayable:		
In 2014	—	636
In 2015	507	—
In 2017	631	633
In 2018	630	631
	1,768	1,900

Note: All bank borrowings are unsecured except for HK$4,509 million (2013: HK$2,524 million).

	2014	2013
	HK$'million	*HK$'million*
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	484	78
Between 1 and 2 years	938	—
Between 2 and 5 years	—	1,323
	1,422	1,401
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	834	—
Between 1 and 2 years	—	637
Between 2 and 5 years	127	—
	961	637
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	361	292

The interest bearing debts are denominated in the following currencies:

	As at 31 December 2014							
	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	3,243	9,247	—	—	—	—	—	12,490
RMB	1,076	—	1,768	—	961	1,422	—	5,227
EURO	1,893	—	—	—	—	—	361	2,254
	6,212	9,247	1,768	—	961	1,422	361	19,971

	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

Assets charge

As at 31 December 2014, bank loans of HK$4,509 million (2013: HK$2,524 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$31 million (2013: HK$34 million) and land use rights with carrying value of HK$7 million (2013: HK$7 million). In addition, the entire shareholdings in two (2013: two) subsidiaries, owned by the Company and its subsidiary, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

Employees and remuneration

As at 31 December 2014, the Group employed 6,261 full time staff, of which 192 worked in Hong Kong, 5,390 worked in Mainland China, and the remaining 679 worked overseas. The remuneration paid for the year amounted to HK$1,492 million, representing 25.9% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, the individual's 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 discretionary 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 to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

Future prospects

Going into 2015, modest growth in the global economy is expected to be maintained. According to the latest forecast by IMF, global economy is expected to grow by 3.5% in 2015, a 0.2 percentage point improvement as compared to 2014. Global trade volume (including goods and services) is expected to grow by 3.8%, a 0.7 percentage point expansion over that of 2014. Meanwhile, IMF also pointed out that both upside and downside risks exist, with upside being the greater purchasing power and the accompanying consumption demand of oil importing countries as a result of the latest supply-demand induced movement in oil prices, providing support to global economic growth for the near future, whilst downside being the slowing medium-term growth anticipated in major economies, except the US, with the resultant corrections to the world's economy outweighing the boost given by the fall in oil price.

Against the backdrop of a sluggish recovery in external demand, along with the implementation of domestic economic structural reforms, China is expected to face considerable downside pressure during 2015. The latest forecast published by the IMF suggested that Chinese economy will grow by 6.8% in 2015, down 0.6 percentage point as compared to that in 2014. Foreign trade is expected to, with the benefit from the strengthening external demand of certain developed economies, reach a growth rate of approximately 6%.

Despite the persistence of a lackluster global economic and trade growth, together with a slowdown in China's domestic economy, the wide range of strategic and reform initiatives promoted by the new Chinese Government, including "One Belt, One Road" and the establishment of "Free Trade Zones", are expected to bring enormous opportunities and potentials for the Group's business development, the Group, as a result, remains cautiously optimistic towards its ports business in 2015.

Based on these analysis and considerations, the Group will pursue various developments adhering to the directives of "achieving breakthroughs amid challenging environment and evolving with implementation of a wide range of tasks, thereby enhancing the Group's performance". The Group will, on one hand, following the industry trends and through various measures, like integration of resources, transformation and upgrade of businesses and capital operations, strive to enhance efficiency in asset utilisation and capital deployment, and to improve the productivity of existing assets, which in turn results in higher return on capital, while on the other hand, with the vision of "becoming a world-class comprehensive port services provider", seek to fully capture the opportunities offered by both the "One Belt, One Road" and "Free Trade Zones" initiatives by the Chinese Government and to deepen its efforts in the implementation of its domestic, international and innovative strategies, with the goal of increasing the competitiveness of the Group's homebase ports in West Shenzhen while achieving breakthroughs in overseas expansion and innovation developments.

With respect to its business operations, the Group aims, conforming to the trend of formation of shipping alliances from a business perspective, to forge a deeper working relationship already existing with its strategic customers by the provision of comprehensive solutions on port services, fully leveraging on its expanding port network, and, from a capital deployment perspective, to enhance asset return by reinforcing active capital management of existing portfolio and by, taking into consideration the Group's asset and capital base, optimizing capital structure.

As for establishment of homebase ports, in order to swiftly build a unique competitive edge in the region, capturing the significant opportunity presented by the inclusion of the Group's homebase ports in the Guangdong Free Trade Zone, the

Group will proactively initiate and drive the refinement of customs processes in the zone, in terms of level of convenience and service quality, into what resembles a free port similar to Hong Kong. Added to this are other key initiatives including the upgrading of berths, the widening of the sea channel, and the streamlining of comprehensive cargo distribution capabilities, which, leveraged upon the advantages offered by the free trade zone policies, can solidify the foundation of the West Shenzhen Port Zone as the key hub of South China.

On overseas developments, seizing the opportunities offered by the "One Belt, One Road" policy promoted by China, in particular the need for port-related infrastructure build-up along the "21st Century Maritime Silk Road", the Group will, considering its long-established philosophy and investment strategies, look for breakthroughs in the Group's overseas portfolio, in terms of scale, strategic positioning, structure and mode of development, to have it further widened and deepened.

With regards to operational management, the promotion of application and the extension of system capabilities in the refined management information platform, the enrichment of database leveraging on the overseas experience in business development and operational management, and the building of a knowledge sharing platform on a corporate level, will all enable the Group to provide the "best practicable solutions" to its projects and supports the Group's expansion endeavours, thus elevating its overall management quality.

Innovation has always been one of the crucial drivers for the Group's sustainable business growth, with key initiatives on this front including the pursuance in the integration of business operations in its ports and bonded logistics businesses with internet technologies, in light of the rapid growth in internet economy, and the exploring of business models in extending the value chain and supply chain of ports, which facilitates innovative business transformation, thus creating impetus for the sustainable growth of the Group's business.

Whilst global macroeconomic environment remains complex in 2015, the Group is expected to have not only opportunities but also challenges. The Group will continue to monitor the ever-changing market conditions and to seek to capture opportunities available, while navigating its business operations to ensure stability and steady progress in line with strategies and objectives established. As always, the Group will endeavour to achieve its pre-set target as a step towards profit maximization and enhanced profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. 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 2014 and the 2014 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 for Securities Transactions by Directors of Listed Issuers (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 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 2014.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 23 May 2014 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.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2014 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 in due course.

By order of the Board
China Merchants Holdings (International) Company Limited
Li Jianhong
Chairman

Hong Kong, 31 March 2015

As at the date of this announcement, the Board comprises Mr. Li Jianhong, Mr. Li Xiaopeng, 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.