招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.

Stock Code : 00144

ANNUAL REPORT 2015

WE CONNECT THE WORLD

2015
Contents

Financial Highlights

	2015 HK$'million	2014 HK$'million	Changes
Consolidated statement of profit or loss highlights			
Revenue[1]	**43,525**	47,414	(8.2%)
Profit attributable to equity holders of the Company	**4,808**	4,526	6.2%
Non-recurrent (gains)/losses, net of tax[2]	**(346)**	73	574.0%
Recurrent profit	**4,462**	4,599	(3.0%)
Earnings per share (HK cents)			
Basic	**155.07**	159.41	(2.7%)
Diluted	**154.91**	159.28	(2.7%)
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	—
Final dividend	**55.00**	55.00	—
	77.00	77.00	—
Consolidated statement of financial position highlights			
Total assets	**102,349**	102,436	(0.1%)
Capital and reserves attributable to equity holders of the Company	**68,828**	67,430	2.1%
Net interest bearing debts[3]	**8,852**	10,470	(15.5%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**6,684**	4,709	41.9%

	2015 HK$'million	2014 HK$'million	Changes
Revenue[1]			
Ports operation	**21,488**	21,120	1.7%
Bonded logistics and cold chain operations	**613**	890	(31.1%)
Port-related manufacturing operation	**18,279**	22,396	(18.4%)
Other operations	**3,145**	3,008	4.6%
Total	**43,525**	47,414	(8.2%)
EBITDA[4]			
Ports operation	**10,610**	10,815	(1.9%)
Bonded logistics and cold chain operations	**306**	118	159.3%
Port-related manufacturing operation	**1,740**	1,877	(7.3%)
Other operations	**1,006**	797	26.2%
EBITDA	**13,662**	13,607	0.4%
Unallocated net income/(expenses)[6]	**30**	(203)	114.8%
Net interest expenses[5]	**(1,553)**	(1,706)	(9.0%)
Taxation[5]	**(2,076)**	(2,415)	(14.0%)
Depreciation and amortisation[5]	**(3,906)**	(3,703)	5.5%
Non-controlling interests[5]	**(1,349)**	(1,054)	28.0%
Profit attributable to equity holders of the Company	**4,808**	4,526	6.2%

1 Include revenue of the Company, its subsidiaries and share of revenue of its associates and joint ventures.

2 For 2015, include gain on disposal of subsidiaries of HK$52 million, gain on partial disposal of an associate of HK$2 million, increase in fair value of investment properties of HK$3 million, gain on deemed disposal of interests in associates and a joint venture of HK$399 million, and additional provision of deferred taxation upon deemed disposal of HK$110 million. For 2014, include increase in fair value of investment properties of HK$22 million; increase in fair value of financial asset at fair value through profit or loss of, net of tax, HK$16 million and impairment loss HK$111 million.

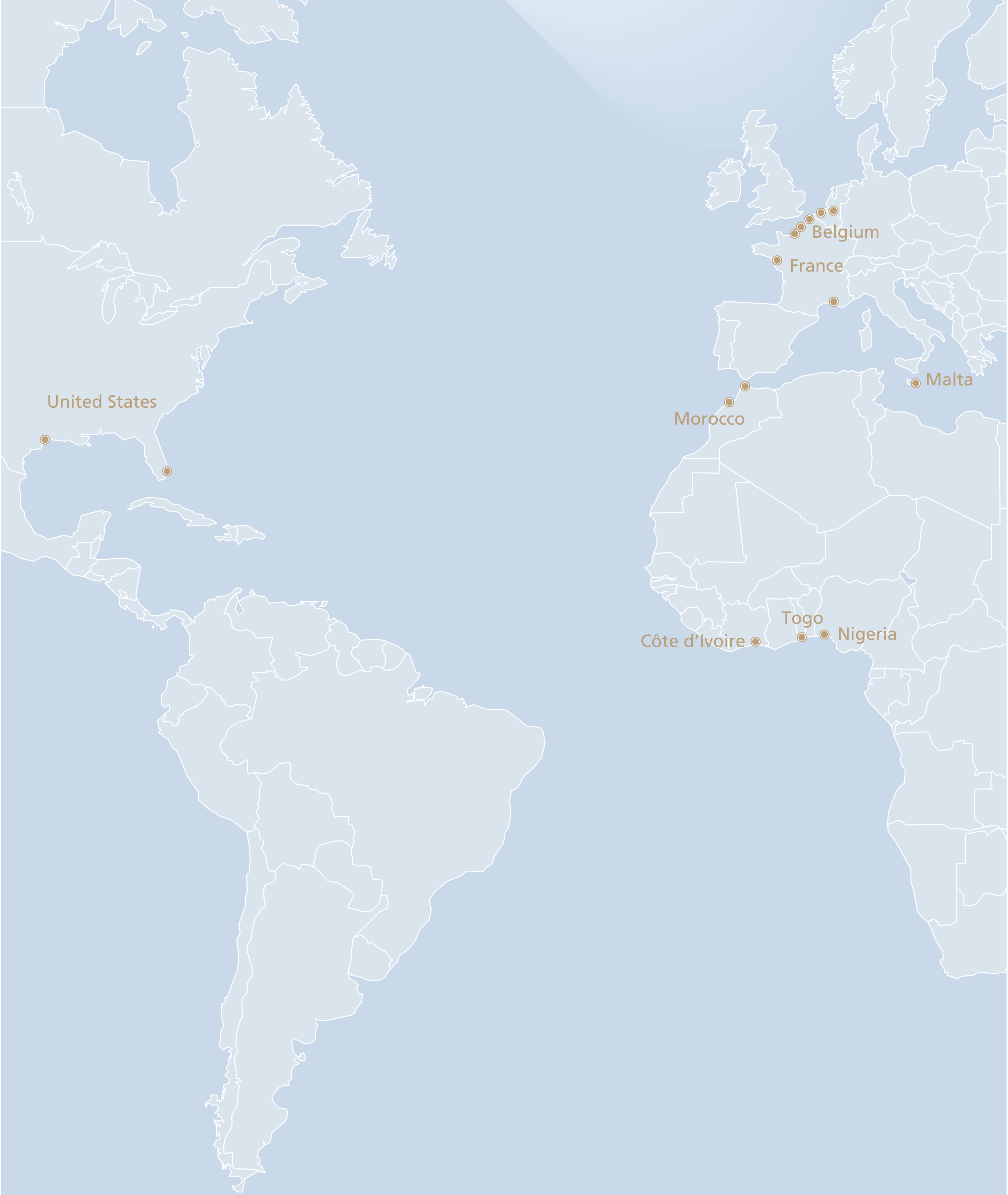
3 Interest bearing debts less cash and bank balances.

4 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.

5 Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and joint ventures.

6 Include expenses for corporate function, gain on disposal of subsidiaries and gain on deemed disposal of interests in associates and a joint venture in 2015.

Presence of China Merchants Holdings (International) Company Limited



Indian Subcontinent and Africa

Colombo, Sri Lanka
Colombo South Container Terminal

Lagos, Nigeria
Tin-Can Island Container Terminal

Lomé, Togo
Lomé Container Terminal

City of Djibouti, Djibouti
Port de Djibouti

Abidjan, Côte d'Ivoire
Terra Abidjan

Europe and Mediterranean

Casablanca, Morocco
Somaport

Tangiers, Morocco
Eurogate Tanger

Marsaxlokk, Malta
Malta Freeport Terminals

Fos, France
Eurofos

Le Havre, France
Terminal de France
Terminal Nord

Dunkirk, France
Terminal des Flandres

Montoir, France
Terminal du Grand Ouest

Antwerp, Belgium
Antwerp Gateway

Zeebrugge, Belgium
Container Handling Zeebrugge

Istanbul, Turkey
Kumport

Others

Busan, South Korea
Busan New Container Terminal

Miami, United States
South Florida Container Terminal

Houston, United States
Terminal Link Texas

Mainland China, Hong Kong and Taiwan

Ports Logistics

Pearl River Delta

Ports:
- Mega SCT
- China Merchants Port Services
- Chiwan Container Terminal
- Shenzhen Mawan Project
- Shenzhen Chiwan Wharf
- Shenzhen Haixing Harbour Development
- China Merchants Container Services
- Modern Terminals

Logistics:
- China Merchants Bonded Logistics

Yangtze River Delta

Ports:
- Shanghai International Port (Group)
- Ningbo Daxie China Merchants International Terminals
- Ningbo Port

South-West Area

Ports:
- Zhanjiang Port

Xiamen Bay Economic Zone

Ports:
- Zhangzhou China Merchants Port
- Xiamen Haicang Xinhaida Container Terminal

Bohai Coastal Area

Ports:
- Tianjin Five Continents International Container Terminal
- Qingdao Qianwan United Container Terminal
- Qingdao Qianwan West Port United Terminal
- Qingdao Port Dongjiakou Ore Terminal
- Qingdao Port International
- Dalian Port

Logistics:
- China Merchants International Terminal (Qingdao)
- Tianjin Haitian Bonded Logistics

Kaohsiung, Taiwan

Ports:
- Kao Ming Container Terminal


NEW YORK EXPRESS

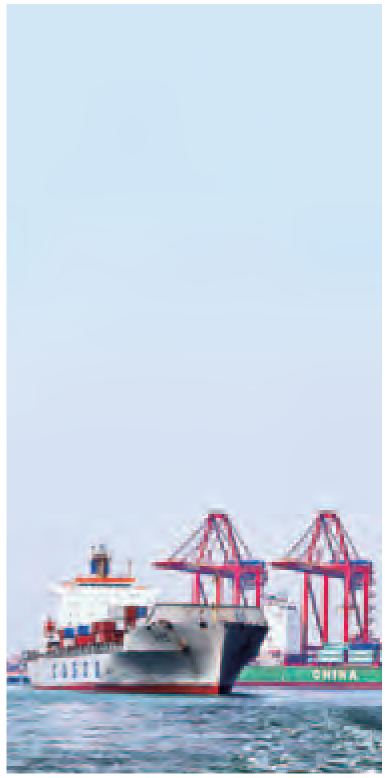
Corporate Profile

China Merchants Holdings (International) Company Limited ("**CMHI**") is China's largest and a global leading port developer, investor and operator, with a comprehensive ports network at the hub locations along coastal China as well as South Asia, Africa, Europe and Mediterranean, amongst others.

Top Ten Container Ports in China - 2015

Unit: million TEUs

	Port	CMHI Presence	2015	15 vs 14 Change
1.	Shanghai		36.54	3.6%
2.	Shenzhen		24.22	0.8%
3.	Hong Kong		20.07	-9.7%
4.	Ningbo		19.82	6.0%
5.	Guangzhou		17.57	8.7%
6.	Qingdao		17.44	5.1%
7.	Tianjin		14.11	0.4%
8.	Dalian		9.30	-8.2%
9.	Xiamen		9.18	7.1%
10.	Yingkou		5.92	2.7%



CMHI's investment strategy focuses on hub ports in regions that attract foreign investments and are economically vibrant with strong import and export trade growth.

CMHI strives to, as a gateway to China's foreign trade and with its expanding global ports portfolio, provide its customers timely, efficient and effective port and related maritime logistics services by pursuing its management style that emphasizes determination, discipline and efficiency. Through synergies achieved by its existing port network, CMHI seeks to enhance its value creation for its shareholders.

CMHI, with the professional management experience accumulated for years, its self-developed global leading ports operating system and integrated logistics platform for import and export, its extensive maritime logistics support system, the modern and all-rounded integrated logistics solutions it offers, its quality engineering management, and the outstanding and reliable services it provides, has earned itself reputation across the industry.

CMHI's strategic vision is to become a world-class comprehensive port services provider. Through implementation of domestic, international and innovation strategies, CMHI strives to achieve "world-class" level on various fronts, including global container throughput, market share, income from integrated port services, operational management capabilities, asset utilization, labor productivity and brand name.

In addition, CMHI also invests in bonded logistics operation and port-related manufacturing operation in China. Against the backdrop of a feeble growth in global economic and trade activities, these business segments have continued to demonstrate consistent and rapid growth, reflecting their strategic value to the extension of port's value chain.

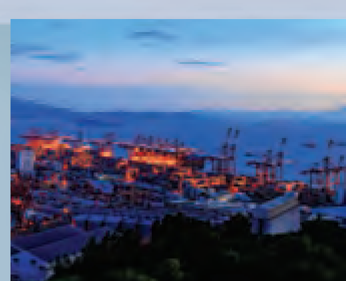
Major Milestones in 2015

Jan 15

CMHI disposed cold chain operation to China Merchants Shipping and Enterprise Company Limited, a wholly-owned subsidiary of China Merchants Group Limited

Feb 15

CMHI signed a strategic co-operation agreement with Dalian Port Group



May 15

CMHI signed a strategic co-operation agreement with China Resources Vanguard Co., Ltd. regarding a cross-border e-commerce direct sales center

CMHI's Board of Directors announced that Mr. Hu Jianhua resigned as the General Manager but remained as an Executive Director of CMHI, with Mr. Bai Jingtao succeeding as CMHI's General Manager

Apr 15

The tripartite consortium formed among CMHI, COSCO Pacific Limited and CIC Capital Corporation completed the acquisition of 65% equity stake in Kumport, Turkey

CMHI signed a joint venture agreement of Silk Road E-Merchants Information Technologies Co., Ltd. with China Merchants Logistics Group and IZP

Dec 15

A tripartite consortium formed among CMHI, COSCO Pacific Limited and CIC Capital Corporation agreed to acquire 65% equity stake of Kumport, the third largest container terminal in Turkey

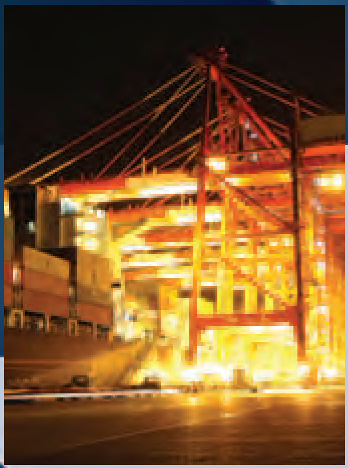
Sept 15

Jul 15

CMHI signed a strategic co-operation agreement with CMA CGM SA in jointly exploring opportunities along "One Belt, One Road"

The first cross-border e-commerce direct sales center in the Qianhai-Shekou Free Trade Zone, ewj, which is jointly invested and operated by CMHI and China Resources Vanguard Co., Ltd., officially commenced business

CMHI completed the issue of US$700 million guaranteed notes



Jan 16 to date

CMHI announced the subscription of shares representing 21% equity stake in Dalian Port (PDA) Company, becoming its second largest shareholder

CMHI's Board of Directors announced that Mr. Li Xiaopeng was appointed as the Chairman of the Board, succeeding Mr. Li Jianhong, and Mr. Hu Jianhua was appointed as the Vice Chairman of the Board

Chairman's Statement

It is with great delight that I present the Group's 2015 annual report and its audited financial statements for the year ended 31 December 2015.

In 2015, whilst global economy showed a sluggish growth with varying performance across regions, international trade growth remained soft, resulting in a continued slowdown in global port industry. Albeit the adverse macroeconomic environment, the Group's endeavours in pursuing various initiatives, adhering to the philosophy of "seeking to solidify, to change, and to promote innovation", has enabled the Group to deliver a growth rate higher than the industry's average in terms of business performance and operating results of its core ports operation, as reflected by the "steady growth in financial results, remarkable achievement in overseas operations, acceleration of innovation development, and the enhancement in management quality".

In terms of ports operation, the domestic and overseas projects in which the Group invested delivered a record-high container throughput of 83.66 million TEUs in aggregate, up 3.5% from 2014, within which container throughput handled by the Group's overseas operations grew by 14.2% year-on-year to 16.05 million TEUs, with Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka in particular demonstrating an exceptional growth in its business scale and operating results in its second year of operation. With regards to overseas business expansion, a tripartite consortium formed between the Group, COSCO Pacific Limited ("**COSCO Pacific**") and CIC Capital Corporation ("**CIC Capital**") has acquired a 65% equity interest of Kumport in Turkey, which added further to the Group's ports network along "One Belt, One Road", while domestically, the Group has become the second largest shareholder of Dalian Port (PDA) Company Limited ("**Dalian Port**") through the subscription of its shares, reflecting a reinforcement of the Group's strategy of optimising its ports network layout within China. With respect to innovation development, pilot projects such as cross-border e-commerce business and the establishment of electronic trading system for grains showed meaningful breakthroughs with good momentum of business growth, while on the management quality enhancement fronts, the refined management information system, which the Group has implemented for a number of years, was awarded the Second Prize of the "22nd National Innovative Achievement in Modernized Management by China Corporations", reflecting wide recognition of the project.

Operating Results

Profit attributable to equity holders of the Company during the year amounted to HK$4,808 million, representing an increase of 6.2% from 2014. Of this amount, recurrent profit totaled HK$4,462 million, a decrease of 3.0% from 2014. The proportion of EBITDA derived from the Group's core port operations to the Group's total decreased from 79.5% in 2014 to 77.7% in 2015.

Dividends

The Board of Directors of the Company has resolved to propose at the forthcoming Annual General Meeting the payment of a final dividend of 55 HK cents per ordinary share which, together with the interim dividend already paid, will give a total dividend of 77 HK cents per ordinary share for the whole year, representing a payout ratio of 41.6%. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the final dividend for ordinary shares will be payable on or around 18 July 2016 to shareholders whose names appear on the register of members of the Company as at 10 June 2016.

Review for the Year

A continuing deceleration in growth of the global economy in 2015, with the pace of growth varied across different economies, means the road to recovery remained bumpy. On one hand, steady global price level, improving employment environment and an active merger and acquisitions market were seen; on the other hand, the world was prevailed with an intensifying volatility in global financial markets, a record-high debt level across the board, subdued commodity prices, and the prevalence of trade protectionism and currency competition. In its latest "World Economic Outlook" report published in January 2016, the International Monetary Fund ("**IMF**") suggested that global economy grew by 3.1% in 2015, down 0.3 percentage point from that in 2014, within which advanced economies rebounded by 1.9% with a slowing pace, while developing economies grew by 4.0%, down 0.6 percentage point year-on-year. World trade volume (including goods and services) grew by 2.6% in 2015, 0.8 percentage point lower than that in 2014.

Entering into the new normal, China's economy showed a generally steady trend in 2015, with an overall stable growth and an improvement in both economic structure and quality of growth. China's GDP grew by 6.9% for the year, which was broadly in line with the target set at the beginning of the year. In tandem with the soft external demand and the decline in commodity prices, negative growth was seen in China's total export and import value, with total trade value amounting to US$3.96 trillion, a decrease of 8.0% over that of 2014. Container throughput handled by Chinese ports of significant scale totaled 210 million TEUs during 2015, representing a year-on-year increase of 4.1%, or a decrease of 2.2 percentage points over that of 2014 in growth rate.

Generally speaking, 2015 was a year presented with a "muted and slowing growth" picture for the global ports industry, yet the Group's ports operation was able to outperform the industry by registering a total container throughput of 83.66 million TEUs, which represented a 3.5% year-on-year rise. Bulk cargo handling operations recorded a throughput of 353 million tonnes, a decrease of 2.8% year-on-year. Looking into the regional performance, container throughput handled by the Group's ports in Mainland China totaled 61.47 million TEUs, up 3.2% year-on-year, a growth rate higher than that of foreign trade-derived container throughput handled by China's ports. Ports in Hong Kong and Taiwan handled a combined container throughput of 6.14 million TEUs, a decrease of 15.0% year-on-year, while overseas operations was showing a solid growth of 14.2% on a year-on-year basis, delivering a container throughput of 16.05 million TEUs. Among the major ports in the Group's portfolio, Shanghai International Port (Group) Co., Ltd., handling a container throughput of 36.54 million TEUs, or a year-on-year increase of 3.6% in 2015, continued to be the world's largest operator for six consecutive years. Attributing to the decline in domestic volume as a result of the facilitation of business upgrade and transformation, container throughput handled by the Group's terminals in West Shenzhen was 10.75 million TEUs, down slightly by 2.5% year-on-year. In the overseas arena, CICT in Sri Lanka delivered a noticeable growth of 127.5% year-on-year, handling 1.56 million TEUs, while Lomé Container Terminal S.A. ("**LCT**") in Togo, which commenced operation towards the end of 2014, handled a container throughput of more than 0.50 million TEUs. Terminal Link SAS handled 12.61 million TEUs during the year, representing a year-on-year increase of 4.7%.

During the year, by capturing unprecedented opportunities, infusing innovative mentality, refining the strategic moves and specifying implementation paths along the Group's three major strategic objectives, the Group has been steadily pursuing designated tasks during 2015, thus ensuring the sustainable growth of the Group's core ports operation and its business performance.

With respect to homebase port development, the Group has been facilitating transformation and upgrades in West Shenzhen Port Zone by seizing the opportunities offered by the establishment of Qianhai-Shekou Free Trade Zone. The phase 2 work of Tonggu Channel involving its further widening, to be completed by early 2017, progressed as planned, and is expected to become a fulcrum for West Shenzhen Port Zone in accommodating mega-vessels. Operating efficiency of the port has been enhanced with the improvement of its customs environment, which came along with the amalgamation of custom zones and introduction of innovative custom supervision modes within Qianhai-Shekou Free Trade Zone. Synchronization of operations within Chiwan and Shekou port zones was further facilitated, which went one step further by integrating the container operations of China Merchants Port Services (Shenzhen) Co., Ltd. The transformation of Shenzhen Haixing Harbor Development Co., Ltd. into a container terminal, with preliminary work completed and with construction commencing in 2016, will also be crucial in the establishment of a modern port zone that is automated, intelligent, green and low carbon; the building of a smart port ecosystem; the improvement in asset's efficiency and the promotion of business innovation of the Group's homebase port.

As for the Group's port network in China, aiming towards "optimising existing assets, extending market influence and enhancing synergies", the Group has been proactively seeking to identify new investment and cooperation opportunities by capitalizing on the potential consolidation and reforms among coastal ports in China, as signified by the share subscription agreement entered into between the Group and Dalian Port on 12 January 2016, allowing the Group to become the second largest shareholder of Dalian Port, which represented a great leap forward by the Group in optimising its port network and consolidating port assets in China.

As for overseas strategies, leveraging on the historic opportunities offered by the "One Belt, One Road" strategy promoted by China, a tripartite consortium formed between the Group, COSCO Pacific and CIC Capital has acquired a 65% equity interest of Kumport in Turkey in December 2015, complementing the Group's global port network layout, whilst enabling the Group to pre-position for the economic development brought about by the implementation of China's "One Belt, One Road" strategy. During the year, the Group's overseas projects, contributing 19.2% of its total container throughput, or an increase of 1.8 percentage points over that of last year, has become a core growth driver of the Group.

With regards to innovative development, built upon the foundation around technological, business and management innovation, the Group's devoted effort in studying and promoting initiatives on several fronts, including "the reinforcement of active capital management in existing portfolio, and the integration between business operations and internet technologies", has resulted in a number of remarkable achievements. The cross-border e-commerce business of Shenzhen Baohong Ecommerce Integrated Services Co, Ltd. and the set-up of an integrated electronic trading platform for grains, "exgrain.com", have both shown promising signs, while the refined management information platform was awarded the Second Prize of the "22nd National Innovative Achievement in Modernized Management by China Corporations".

Prospects

In 2016, global economy is expected to demonstrate a slow pickup in growth, with the presence of several unfavourable cyclical and structural factors adding further uncertainty. According to the latest forecast published by IMF, global economy is forecasted to grow by 3.4% in 2016, up 0.3 percentage point from that in 2015, while world trade volume (including goods and services) is projected to grow by 3.4% in 2016, an increase of 0.8 percentage point from 2015. Growth pace in China's economy is expected to be milder in 2016 as structural economic adjustments and reforms continue.

Against the backdrop of a feeble global economic recovery and the Chinese economy entering into the new normal, the global port industry is again anticipating a picture of slow growth in 2016 with performance varying across regions. On top of all these, the persistence of a supply glut in the shipping industry, the deployment of mega-vessels, the prevalence of shipping alliances and the intensifying regional competition of ports all pose challenges to the port industry. Thanks to the stability displayed at the ports in China and the impetus from the faster growth at existing overseas projects, compounding with the additional contributions from potential acquisitions and new growth drivers through nurturing innovative business, the Group's ports operation is expected to remain steady in 2016.

In 2016, gravitating upon the strategic vision of "becoming a world-class comprehensive port services provider", the Group will strive, through reviewing and formulating implementation plans, to promote innovation, to progress, and to look for breakthroughs. Innovation will remain key in the Group's overall corporate development, enabling the transformation and upgrade of the Group's existing business, thereby injecting energy to the Group through reforms and breakthroughs, with key initiatives as set out below.

Firstly, in order to ensure achievement of strategies, the Group will actively seek to closely follow market changes and industry opportunities through conducting continuous assessment and study on the macro-economy and industry, based on which clear and practicable implementation plans can be formulated, enabling the conversion of internally-sourced capabilities and resources into tangible competitive edges, and the alignment of strategies and operational measures on a practical basis.

Secondly, capital management in existing portfolio will be reinforced. Through the active application of capital management on the organizational, product and functional level, the Group will strive to create an ecological environment that incorporates the elements of active capital management from every facet, thereby facilitating upgrades and reform of the Group's existing operations.

Thirdly, with regards to the building of a comprehensive port ecosystem, stemming from the foundation built upon the Group's core ports operation, the Group will, through the integration with internet technology, seek to enhance the synergies derived from the collaboration between ports, logistic zones and the city, and to extend the ports value chain, with an aim or nurturing a comprehensive port ecosystem and enriching the Group's business propositions as a comprehensive port services provider.

Fourthly, in terms of the expansion of the Group's overseas ports network, the Group will strive to elevate its operation capabilities and market influence globally through further building up its global ports network, seizing the investment opportunities offered by the "One Belt, One Road" strategy promoted by China. Meanwhile, the Group will also actively pursue its comprehensive development model for overseas projects, in order to achieve breakthroughs in applying the successful experience in its entire overseas port network.

Lastly, with regards to reinforcing the integration and collaboration of the Group's existing port assets, it will, on one hand, facilitate the establishment of an overseas homeport and the transformation of West Shenzhen homebase port, and speed up the progress of various projects, including the construction of Mawan intelligent ports, the widening of Tonggu channel and the building of port community system, while on the other hand, closely monitor consolidation opportunities among coastal ports in China, and strengthen the interaction and integration among the existing ports and between the potential new projects and existing ports, all in all to further enhance the competitiveness of the Group's ports.

Looking into 2016, with global economy and trade velocity recovering at a slow and uneven pace, prospect for global ports industry remains challenging. Nonetheless, we will strive to capitalize on the unprecedented opportunities and facilitate innovations, upgrades and breakthroughs in the Group's core ports operation, in order to maintain its sustainable growth and, in turn, deliver better investment return for shareholders.

Investor Relations

The Group, as always, strives to maintain a smooth investor relation through enhanced communication and exchanges with the investment community with a view to raising their timely understanding of, and confidence towards, the Group. More than 600 visits by investors and analysts were received and/or met by the Group in 2015, including on-site visits and meetings with our senior management. The Group also keeps close contact with its shareholders and the investors through regular roadshow activities conducted from time to time across all international investment markets, as a means to enhance the Group's transparency and, in turn, governance standards, all towards establishing for the Group a positive corporate image as a listed company.

Credit Rating

The Group's credit rating by Moody's was upgraded to Baa1 during 2015, thereby further strengthening our investment-grade rating. The Group's credit rating by Standard and Poor's is currently maintained at BBB+.

Appreciation

Following the resignation of Mr. Li Jianhong as the Chairman and Executive Director of the Board of the Company on 18 February 2016, I was appointed as the Chairman of the Board. During his tenure, Mr. Li had devoted himself to and made outstanding contributions to the development of the Group. On behalf of the Board, I would like to express our most sincere appreciation to Mr. Li, and we wish he will lead, as its Chairman, China Merchants Group, the Group's ultimate holding company, to even more success in the future.

The Group has steered through difficulties, achieved remarkable breakthroughs on various fronts in 2015, improving steadily its operating results amid a complex macroeconomic environment, which could not have been accomplished without the undivided dedication from all of our staff or the support from our shareholders and investors, business partners and those who have taken to heart the Group's interest. For this, I would like to extend my most sincere appreciation and deepest gratitude.

Li Xiaopeng
Chairman
Hong Kong, 31 March 2016

Management Discussion and Analysis

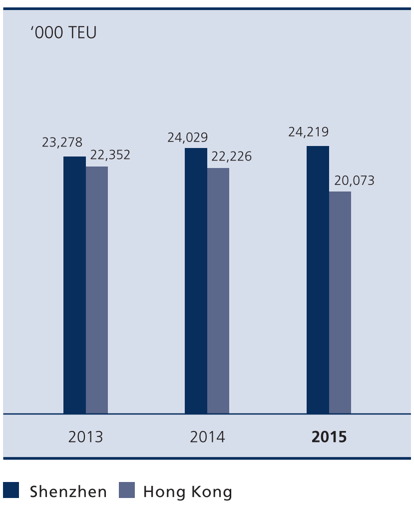
General overview

During the year, global economy continued to undergo structural adjustments, and with subdued demand, feeble investment appetite and weak manufacturing and trading activities, the world's economy was seeing a sluggish growth. Developed economies were counting on expansionary monetary policies to stimulate demand, but recovery was modest and the pace varied among regions, with the economy of the United States demonstrating steady recovery, while the Euro Zone's recovery was mild, and Japan was showing a muted growth. Deterred by sluggish demand growth of the developed economies, the unbalanced economic structures of certain nations, and the abrupt worsening of financial situations and reversal of capital flows induced by the tapering of the US monetary policies towards the end of the year, emerging economies have seen growth at a much slower pace, with Russia and Brazil even in negative territory. According to the estimates in the latest "World Economic Outlook" report published by IMF on 19 January 2016, the global economic growth rate in 2015 was 3.1%, down 0.3 percentage point as compared to that of 2014, within which developed economies were growing at 1.9%, up 0.1 percentage point as compared to that of 2014; and developing economies were growing at 4.0%, down 0.6 percentage point. Global trade volume (including goods and services) expanded by 2.6%, a decrease of 0.8 percentage point as compared with that of 2014.

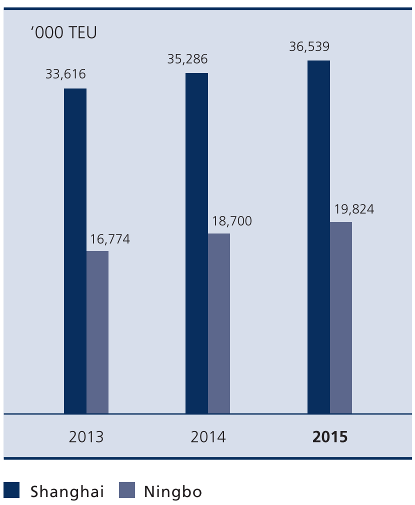
In 2015, along with a deceleration in China's GDP growth to 6.9% was a significant slowdown in its foreign trade growth, with its total import and export value amounting to US$3.96 trillion, representing a year-on-year decrease of 8.0%, within which total export value was US$2.28 trillion, indicating a 2.8% year-on-year decrease, while total import value was US$1.68 trillion, representing a decrease of 14.1% year-on-year.

With the slow recovery in economy and trade globally, global ports growth continued its softening trend in 2015. Data published by the Ministry of Transport of China showed that container throughput handled by Chinese ports of significant

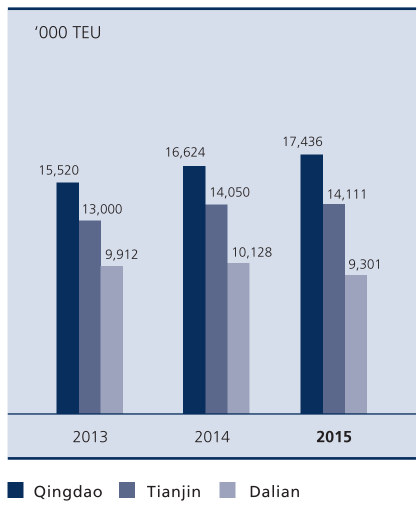
Container throughput in Shenzhen and Hong Kong 2013-2015



Container throughput in Shanghai and Ningbo 2013-2015



Container throughput in Qingdao, Tianjin and Dalian 2013-2015

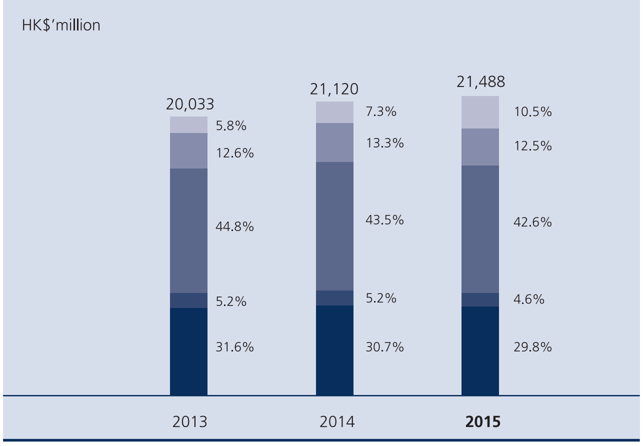


scale totaled 210 million TEUs in 2015, an increase of 4.1% year-on-year but a decline of approximately 2.2 percentage points as compared to the growth rate of last year.

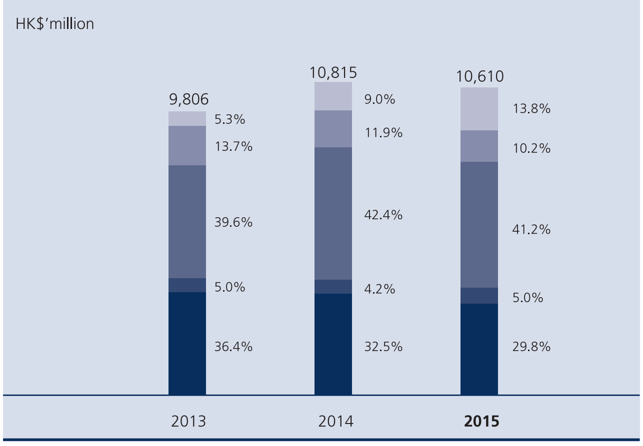
In 2015, the Group's ports handled a total container throughput of 83.66 million TEUs, a year-on-year increase of 3.5%. Bulk cargo volume handled by the Group's ports was 353 million tonnes, translating into a 2.8% year-on-year decrease. Attributing to a weaker growth in global containerized trade, China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, saw noticeable decline in its container manufacturing business, recording sales of dry cargo containers and reefers of 1.30 million TEUs during the year, or a 14.0% year-on-year decrease; yet, sales of reefers was still able to register a year-on-year growth of 40.8%.

During the year ended 31 December 2015, profit attributable to equity holders of the Company amounted to HK$4,808 million, representing a year-on-year increase of 6.2%. Recurrent profit Note 1 was HK$4,462 million, down 3.0% as compared to that of last year. EBITDA Note 2 derived from the Group's core ports operation totaled HK$10,610 million, down 1.9% year-on-year, accounting for 77.7% of the Group's total EBITDA.

Ports Revenue



Ports EBITDA



Mainland China, Hong Kong and Taiwan

Shenzhen | Hong Kong | Shanghai and Ningbo | Others | Other locations

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for 2015, gain on disposal of subsidiaries, gain on partial disposal of an associate, change in fair value of investment properties, gain on deemed disposal of interests in associates and a joint venture, and additional provision of deferred taxation upon deemed disposal; while for 2014, change in fair value of investment properties and financial asset at fair value through profit or loss and impairment loss.

Note 2 Earnings before net interest expenses, taxation, depreciation and amortization, 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 83.66 million TEUs in 2015, up 3.5% year-on-year, amongst which the Group's ports in Mainland China contributed container throughput of 61.47 million TEUs, representing a growth of 3.2% year-on-year, slightly outpacing that of foreign trade-derived container throughput handled by China's ports. The Group's operations in Hong Kong and Taiwan recorded an aggregate container throughput of 6.14 million TEUs, down 15.0% year-on-year. Driven by the remarkable performance of CICT, container throughput handled by the Group's overseas projects grew by 14.2% year-on-year to reach 16.05 million TEUs. Bulk cargo volume handled by the Group's ports operation was 353 million tonnes, down 2.8% year-on-year, among which bulk cargo handled by the Group's ports in Mainland China totaled 348 million tonnes, or a year-on-year decrease of 3.1%. On the overseas front, Port de Djibouti S.A. ("**PDSA**") in Djibouti handled 5.19 million tonnes of bulk cargoes, up 21.4% as compared with that of last year.

Pearl River Delta region

Attributing to the withdrawal from certain domestic shipping routes as an attempt to optimise its container mix, the Group's terminals in West Shenzhen saw its container throughput drop by 2.5% year-on-year to 10.75 million TEUs in 2015. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 1.30 million TEUs, up 6.9% year-on-year. Owing to the business relocation and functional transformation pursued by the Group, bulk cargo throughput in West Shenzhen Port Zone totaled 19.83 million tonnes, down 17.3% year-on-year, while Dongguan Machong continued its growth momentum, recording a year-on-year growth of 22.4%, or a bulk cargo throughput of 11.79 million tonnes.

Xiamen Bay Economic Zone

In the south-eastern coastal region, owing to a decline in empty and transshipment volume as a result of its adjustment of container mix, container throughput handled by Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") decreased by 20.1% year-on-year to 0.32 million TEUs in 2015. Bulk cargo throughput handled by ZCMP amounted to 10.76 million tonnes, an increase of 0.9% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. handled a container throughput of 36.54 million TEUs, up 3.6% year-on-year, and a bulk cargo throughput of 156 million tonnes, down 16.5% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 2.71 million TEUs, an increase of 8.4% year-on-year.

Bohai Rim region

Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 6.66 million TEUs, representing an increase of 11.4% year-on-year. Qingdao Qianwan West Port United Container Terminal Co., Ltd. handled bulk volume of 16.54 million tonnes, a decrease of 1.9% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd., of which the Group has become a shareholder since March 2014, handled bulk volume of 50.74 million tonnes during the year, representing an increase of 48.2% year-on-year. Hit by the explosion within the port area of Tianjin, container throughput delivered by Tianjin Five Continents International Container Terminals Co., Ltd. saw a flattish trend year-on-year by recording 2.57 million TEUs.

South-West region of China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.61 million TEUs, up 6.6% year-on-year. Bulk cargo throughput handled by the ports amounted to 82.21 million tonnes, up 6.9% year-on-year.

Hong Kong and Taiwan

A decline of the regional market coupled with the impact brought by the operating system upgrade carried out by Modern Terminals Limited ("**MTL**") during the second half of 2014, MTL and China Merchants Container Services Limited in Hong Kong delivered a combined container throughput of 4.62 million TEUs, down 21.6% year-on-year. Kao Ming Container Terminal Corporation in Taiwan handled a container throughput of 1.53 million TEUs, reflecting an increase of 14.4% year-on-year.

Overseas operation

The Group's overseas business delivered a container throughput of 16.05 million TEUs in aggregate, within which Terminal Link SAS contributed a container throughput of 12.61 million TEUs, up 4.7% year-on-year; CICT, attributing to its effective business development, has seen its container throughput grow significantly by 127.5% year-on-year, reaching 1.56 million TEUs during the year; PDSA in Djibouti handled a container throughput of 0.90 million TEUs, up 4.8% year-on-year; Tin-Can Island Container Terminal Limited ("**TICT**") in Nigeria handled a container throughput of 0.47 million TEUs, up 8.9% year-on-year; whereas LCT in Togo, which commenced operation since October 2014, contributed a container throughput of 0.50 million TEUs during 2015.

Strategic deployments in the ports operation

During 2015, which was prevailed with adverse external operating environment, adhering to the directives of "capturing opportunities, achieving breakthroughs and pursuing developments", the Group, on one hand, by fully leveraging upon the opportunities offered by the "One Belt, One Road" strategy promoted by China and the establishment of Free Trade Zones, sought to further extend its overseas footprint, to deepen its effort in the establishment of West Shenzhen homebase port and to participate in the consolidation of coastal ports in China, so as to add further to its global ports network, whilst on the other hand, inject impetus to drive its sustainable development, by encouraging management refinement and innovation development aiming at an improvement to asset utilization through cost savings and efficiency gains, and by exploring the extension of the ports value chain and innovative business models.

As for overseas expansion, tagging along the "One Belt, One Road" strategy promoted by China, the Group has yielded some fruitful results in capturing investment opportunities and expanding business scale, which, in turn, laid a solid foundation for the Group's future overseas expansion. Through the acquisition of a 65% equity interest in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi ("**Kumport**"), the third largest container terminal in Turkey, by a consortium formed among the Group, COSCO Pacific and CIC Capital in late 2015, the Group has established a strong foothold at the hub of the Eurasia continent. At the same time, with the construction of a multi-purpose port at Doraleh under PDSA in Djibouti underway, and the preliminary planning and construction of the free trade zone in Djibouti, which the Group was actively pursuing, progressing as planned, a solid platform for the build-up of "Checkpoints along the Silk Road" has been set up, allowing the expedition of exploring a comprehensive port development model. LCT in Togo, where business volume and service efficiency have both seen steady improvement, is enjoying synergies with TICT in Nigeria, thus further anchoring the Group's presence and influence in the West Africa region.

Regarding the ongoing development of its West Shenzhen homebase port, the Group continued to integrate the management within the West Shenzhen Port Zone, to deepen its efforts in promoting managerial and technological innovation, to improve the barge network and feeder ports layout, to promote further collaboration between its domestic and international ports, and to provide technical and expertise support for its overseas projects. In 2015, benefiting from the establishment and development of Qianhai-Shekou "Free Trade Zone", the Group's West Shenzhen homebase port achieved breakthroughs in terms of gaining access to external resources and optimising customs clearance processes. Regarding gaining access to external resources, the widening of navigation channels of West Shenzhen Port Zone (Tonggu Channel and the Western Public Channel) saw material progresses after two years of efforts, with the construction work commencing in due course. As for the optimization of customs clearance processes, measures such as the "unification of custom zones" within the West Shenzhen Port Zone were successfully implemented, thus increasing transparency of the customs inspection processes, and hence solidifying the market leading position of the Shenzhen homebase port.

As for the Group's strategies in the Chinese port market, the Group has been proactively interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities, an example of which was the subscription of shares in Dalian Port by the Group, resulting in the Group becoming its second largest shareholder, on 12 January 2016. Meanwhile, the Group has continued its dialogues with other domestic ports in exploring different forms of cooperation, with an aim of extending its market influence in the domestic port market.

With regards to operational management, the Group has reorganized and refined its policies and operation manuals following the adjustments to its organization structure and operation flows. Decision making processes were becoming more scientific and well-supported by different data analysis, with the refined management information platform as a backbone. Standardization of large-format equipment procurement processes, and the creation and maintenance of a supplier database, which refined the processes for centralised purchasing of bulk items, were also initiated. Furthermore, the Group has strived to consistently improve its capability in terms of safety management through technological means and application of information technology, such as the establishment of the "China Merchants Safety Management Information System" and the "CMHI Meteorological Forecasting and Warning System". The fact that the Group was awarded by Containerisation International as the "Terminal Operator of the Year" reflects the wide industry recognition of the Group across various aspects, including service quality, operating efficiency, operational management, innovation development, and personnel training.

With regards to innovative development, the Group endeavored to create an environment that encourages innovation and further improve the innovative management mechanism. Leveraging on the concept of "Internet+", the Group has been working with leading big-data enterprises to explore on the building of an integrated cross-border trade service platform that facilitates business flows, information flows, capital flows and logistics flows between ports and logistics parks, through which a port-logistics ecosystem could be built.

Bonded logistics and cold chain operations

2015 is a year where the Group's traditional bonded logistic business continued to grow, with innovation initiatives also showing initial success. Capitalising on the opportunities made available by the development of the Qianhai-Shekou "Free Trade Zone", China Merchants Bonded Logistics Co., Ltd. ("**CMBL**"), a subsidiary of the Group, has been actively tapping into the preferential policies offered at the Bonded Port Zone it operates in. In 2015, CMBL has intensified its effort in promoting cross-border e-commerce business by launching an import and export distribution platform for cross-border e-commerce and an online B2B settlement platform in the Qianhai Free Trade Zone, which were examples of how innovation can be infused into its business model. Under the philosophy of "optimisation of the custom environment of the bonded logistic park, development of innovative businesses and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates its bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in solidifying market share of the consolidation and deconsolidation business for international transshipment cargoes, integrating with external logistics resources and improving service capabilities, thus continuing to keep the momentum in improving 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 effort to strengthen its business on handlings of imported automobiles (whole vehicles), to enhance operational capacity by capitalising on external resources, and to actively adjust existing business structure, with a view of ensuring a smooth business transformation.

In 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 of a wholly-owned subsidiary which held 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. The exit from cold chain operation was consistent with the Group's strategy of reviewing and restructuring, as appropriate, non-core businesses from time to time.

In 2015, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 3.71 million tonnes, representing a decline of 3.7% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.58 million tonnes, down 1.6% year-on-year, representing a market share of 15.6%, or an increase of 0.2 percentage point year-on-year.

Port-related manufacturing operation

Global economy recovery was thwarted during 2015 with a sluggish global trade picture, weighing on the demand for CIMC's core products of dry cargo containers. Notwithstanding, CIMC has seen a remarkable increase in the sales of reefers as global cold chain operations expanded steadily. CIMC recorded profit attributable to equity holders of RMB1,974 million in 2015, down 20.3% year-on-year, while its sales of dry cargo containers and reefers was 1.30 million TEUs during the year, representing a 14.0% year-on-year decrease, within which sales of reefers delivered a year-on-year growth of 40.8%.

Financial review

For the year ended 31 December 2015, revenue [Note 3] from the Group's core ports operation increased by 1.7% year-on-year to HK$21,488 million, as a result of added contributions from overseas greenfield projects as new capacity ramped up, which overcame the decline seen in its bulk operation. Notwithstanding, the Group saw a 8.2% decrease in its revenue to HK$43,525 million as sluggish global trade weighed on the demand for CIMC's products. Profit attributable to equity holders of the Company amounted to HK$4,808 million, up 6.2% over last year, within which recurrent profit was HK$4,462 million, representing a decline of 3.0% year-on-year, owing to the weaker-than-expected performance of the Group's port-related manufacturing operation and the increase in net exchange losses, which was offset by the continuing growth from the Group's existing ports, better-than-expected contributions from overseas greenfield projects, and interest cost savings.

EBITDA derived from the Group's core ports operation amounted to HK$10,610 million, or a year-on-year decrease of 1.9%, and accounting for 77.7% of the Group's total EBITDA, while EBITDA margin [Note 4] of the Group's core ports operation was down from 51.2% in 2014 to 49.4% in 2015, mainly due to costs escalation, in particular labour cost, which the Group did not fully pass on.

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

Note 4 EBITDA as a percentage of revenue.

As at 31 December 2015, total assets of the Group was HK$102,349 million, largely flat as compared with the corresponding balance of HK$102,436 million as at 31 December 2014. Net assets attributable to equity holders of the Company was HK$68,828 million as at 31 December 2015, representing an increase of 2.1% from that as at 31 December 2014.

The Group generated net cash inflow from operating activities of HK$6,684 million for the year ended 31 December 2015, an increase of 41.9% year-on-year, as a result of the Group's ports operation in general continuing to yield sustainable cash flow, as well as a timing difference in dividend receipt from certain associates, whereby the distribution of dividend from an associated company which was supposed to take place in 2014 was deferred to 2015. Having received net cash inflow of HK$2,163 million from the disposal of the its cold chain business and other non-core assets during the year, which was offset by the cash consideration of HK$2,915 million paid for the acquisition of Kumport in Turkey, the Group's net cash outflow from investment activities decreased 52.7% to HK$1,983 million in 2015. Without similar proceeds from the mandatory convertible securities ("**MCS**") issue in 2014, the Group had net cash outflow from financing activities amounting to HK$3,782 million, comparing to an inflow of HK$5,810 million in the same period of the previous year.

To support the capital needs for development of the Company's comprehensive port business, China Merchants Finance Company Limited, a wholly-owned subsidiary of the Company, completed the issuance of fixed-rate guaranteed notes totaling US$700 million in August 2015, which consists of two tranches including a 5-year tranche of US$200 million maturing in 2020 with a coupon rate of 3.50%, and a 10-year tranche of US$500 million maturing in 2025 with a coupon rate of 4.75%. These notes are listed on The Stock Exchange of Hong Kong Limited.

Corporate social responsibility

While striving to continuously improve its operating results and generate return 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 2015, with the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment" as the emphasis, and aiming at "energy conservation and efficiency enhancement" with "technological innovations" as the means, the Group has continued its efforts in the building of low-carbon green port that is "energy efficient", so as to facilitate the conversion of our ports into more environmental friendly and energy conserving ones. Having become the only state-sponsored demonstration port zone of low-carbon green ports in South China since 2013, the Group's West Shenzhen Port Zone has been working actively to promote and implement the pilot programs relating to the establishment of low carbon green ports, focusing on 13 key implementation projects in four major areas, including the transformation of infrastructure, upgrading of logistics equipment, optimization of energy consumption structure and initiation of intelligent operations, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable.

The Group is committed to integrating its corporate core values into the community by taking active part in various community and charitable activities. In 2015, the Group's charity activities stemmed from the theme of "Shaping Blue Dreams Together" (共鑄藍色夢想), which concerns the ocean and humanities. Examples of public welfare activities organized by the Group includes "Shaping Blue Dreams Together — Summer Camp for Caring of Left-behind Children" (共鑄藍色夢想—關愛留守兒童夏令營) which was held by the Group's South China Container Terminal, "Shaping Blue Dreams Together — Scholarships to Lomé University" in Togo, and "C Blue restore Sight Project" (招商局一帶一路光明行) which involves sponsoring 150 units of intraocular lenses to Sri Lanka.

Liquidity and treasury policies

As at 31 December 2015, the Group had approximately HK$10,293 million in cash, 50.3% of which was denominated in Hong Kong dollars, 26.8% in United States dollars, 19.7% in Renminbi and 3.2% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$6,684 million in total.

During the year, the Group incurred capital expenditure amounting to HK$2,376 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

As at 31 December 2015, the Company had 2,598,715,093 shares in issue. During the year, the Company issued 7,471,000 new shares upon the exercise of share options and received net proceeds of approximately HK$172 million as a result. Other than the above-mentioned newly issued shares, the Company issued 26,739,941 shares under the Company's scrip dividend scheme and 1,856,012 shares upon conversion of the MCS.

As at 31 December 2015, the Group's net gearing ratio [Note 5] was approximately 11.5%.

The financial statements of the Group's foreign investments are in Renminbi, Euro or US dollars and any exchange difference arising from retranslation of these financial statements would be dealt with in a reserve of the Group. The Group will keep monitoring market changes and explore on the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimize its overall exposure to maintain foreign exchange risk at a manageable level.

During the year, a wholly-owned subsidiary of the Company issued fixed-rate listed notes maturing in 2020 for the amount of US$200 million and maturing in 2025 for the amount of US$500 million to finance the Group's working capital. Another non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note with various maturities for the aggregate amount of RMB800 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$15,395 million as at 31 December 2015 that contain customary cross default provisions.

Note 5 Net interest-bearing debts divided by total equity.

As at 31 December 2015, the Group's outstanding interest bearing debts are analysed as below:

	2015 HK$'million	2014 HK$'million
Floating-rate bank borrowings which are repayable as follows (Note):		
Within 1 year	**713**	972
Between 1 and 2 years	**643**	687
Between 2 and 5 years	**1,401**	1,508
More than 5 years	**2,855**	3,045
	5,612	6,212
Fixed-rate bank borrowings which are repayable as follows:		
Within 1 year	**179**	—
Between 1 and 2 years	**60**	—
	239	—
Fixed-rate listed notes payable which are repayable:		
In 2015	—	3,878
In 2018	**1,542**	1,541
In 2020	**1,541**	—
In 2022	**3,830**	3,828
In 2025	**3,851**	—
	10,764	9,247
Fixed-rate unlisted notes payable which are repayable:		
In 2015	—	507
In 2016	**597**	—
In 2017	—	631
In 2018	**594**	630
	1,191	1,768
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	**277**	484
Between 1 and 2 years	**358**	938
	635	1,422
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	**34**	834
Between 1 and 2 years	**67**	—
Between 2 and 5 years	**239**	127
	340	961
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	**364**	361

Note: All bank borrowings are unsecured except for HK$4,375 million (2014: HK$4,509 million).

The interest bearing debts are denominated in the following currencies:

	Bank borrowings	Listed notes payable	Unlisted notes payable	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
As at 31 December 2015							
HKD & USD	**2,827**	**10,764**	—	—	—	—	**13,591**
RMB	**973**	—	**1,191**	**340**	**635**	—	**3,139**
EURO	**2,051**	—	—	—	—	**364**	**2,415**
	5,851	**10,764**	**1,191**	**340**	**635**	**364**	**19,145**
As at 31 December 2014							
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

Assets charge

As at 31 December 2015, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK$4,375 million.

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

Employees and remuneration

As at 31 December 2015, the Group employed 5,776 full time staff, of which 190 worked in Hong Kong, 4,782 worked in Mainland China, and the remaining 804 worked overseas. The remuneration paid for the year amounted to HK$1,499 million, representing 26.8% 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.

The Group has at all times strived to maintain a good relationship with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Future prospects

Going into 2016, the mild global economic growth seen in last year is expected to continue. According to the latest forecast by IMF, global economy is expected to grow by 3.4% in 2016, a 0.3 percentage point improvement as compared to 2015. Global trade volume (including goods and services) is expected to grow by 3.4%, a 0.8 percentage point expansion over that of 2015. Meanwhile, IMF also pointed out that decline of oil prices and the monetary easing pursued by various economies will further enhance the purchasing power and private consumption demand of oil importing countries, thus lending support to global economic growth. However, with the United States exiting its highly accommodative monetary policy, the already-vulnerable emerging economies would be adversely affected by potential currency devaluation which translates into financial stress. IMF forecasted that developed economies, represented by the United States, Japan and the European countries, will grow at 2.1% in 2016, 0.2 percentage point faster than in 2015; while emerging markets and the developing economies will grow at 4.3%, 0.3 percentage point higher than in 2015.

Against the backdrop of a sluggish recovery in external demand, along with the ongoing reforms of the domestic economic structure, China's economic growth is expected to slow. The forecast published by the IMF suggested that Chinese economy will grow by 6.3% in 2016, down 0.6 percentage point as compared to that in 2015. Although China's economy is entering a "new normal", the Group still sees ample opportunities and rooms for further development that are derived from wide range of strategic initiatives and reforms driven by the Chinese Government, including "One Belt, One Road", the establishment of "Free Trade Zones", and the restructuring and reform of state-owned enterprises.

Based on these analysis and considerations, the Group will pursue various developments adhering to the directives of "seeking for changes while maintaining stability, seeking to promote innovation among changes, and seeking to progress on the back of innovation". On one hand, the Group will, with "building an integrated port ecosystem" as a pivot, attempt to promote innovations, accelerate business transformation and upgrades with an aim of enriching its capability as a comprehensive port service provider, by seeking to capitalize on the opportunities offered by "One Belt, One Road" and "Free Trade Zones" initiatives, and by riding on the industry trends. On the other hand, the Group will further its efforts in extending the application of the refined management information system, in the set-up of new control points along operation procedures, in the optimisation of workflows, in the promotion of technological innovation and in the elevation of production efficiency, which, in turn, enable the Group to achieve balanced development in terms of scale, quality and efficiency.

With regards to operational management, through formulating overall market plan and customer management, the Group seeks to strengthen the interaction and collaboration between its ports, and in turn, bring out the synergies across different businesses. In addition, the Group will reinforce the exploration of capital management tools within existing portfolio and the analysis on alternative sources of funding, leveraging upon relevant policies, in order to reduce its cost of capital. Furthermore, knowledge management system will be optimized continuously, with an aim to facilitate the accumulation and transmission of the enterprise's and individuals' knowledge. Backed by the refined management information platform, the Group will also facilitate the informatization and digitalization in its operational management, whilst continuing to advocate scientific decision-making processes grounded on data analysis.

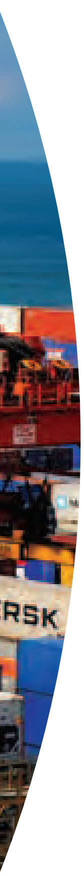
Regarding the development of homebase port, capturing the significant opportunities presented by the inclusion of the Group's West Shenzhen homebase ports in the Free Trade Zone and aiming towards consolidating the competitive edge of the homebase port, the Group will coordinate with and get deeply involved in encouraging customs clearance model innovation, continuously promote the establishment of "Shenzhen-Hong Kong Free Trade Connect", facilitate the integration of custom zones, constantly improve the efficiency of customs clearance processes and accelerate the development of a smart port and widening of navigation channel within the West Shenzhen Port Zone. Simultaneously, the Group will seek to turn CICT in Sri Lanka into the Group's international homebase port that is influential in the region, and as a hub where overseas talents could be nurtured, knowledge could be accumulated and innovation could be experimented, by researching on the implementation of policies proposed by China in relation to industry relocation and paying close attention to the global trade relocation trend, and by leveraging on the advantages offered by preferential policies and internal resources.

With respect to business expansion, by studying and seizing available opportunities derived from the state-owned enterprise reform and the restructuring of regional ports, the Group will actively participate in the consolidation of domestic ports with a view of integration with the Group's existing assets, thus enhancing synergies within the Group's domestic port network and elevating the Group's influence in the domestic market. On the other hand, by continuously exploring on the implementation of an overseas comprehensive development model, by innovating the development and operation models for overseas projects, and by optimising global asset allocation and profit structure, the Group will seek to pursue sustainable development and to build a global brand and reputation for its ports operation.

Pursuing "innovation" is a key for the Group to transform and upgrade its traditional ports operation and see breakthroughs in terms of its business mechanism and business development. By constantly improving innovation management mechanism in the aspects of internal policies and operation flows, a management culture and system that encourages innovation can be created. Backed by the already-established foundation around the application of technologies in ports, the Group will strive to promote technological innovation in ports operation, while at the same time, incorporate the Internet element into the port business and promoting cross-sector business integration will further enrich the Group's capability as a comprehensive ports service provider.

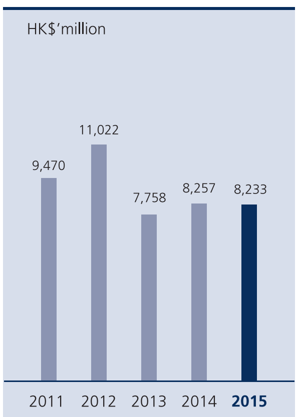
Whilst global economic environment remains complex in 2016, intense and dynamic competition persists within the industry. The Group will continue to monitor the ever-changing market conditions and attempt to capture opportunities available, to seek for changes while maintaining stability, to seek to promote innovation among changes, and to seek to progress on the back of innovation, 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.

Five-year Financial Summary

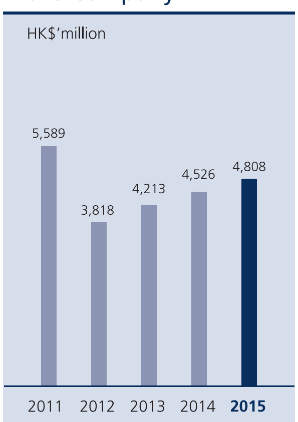


	2015 **HK$'million**	2014 HK$'million	2013 HK$'million	2012 HK$'million	2011 HK$'million (as restated)
RESULTS					
Revenue	**8,233**	8,257	7,758	11,022	9,470
Profit before taxation	**6,315**	6,169	5,781	6,871	7,686
Profit for the year	**5,525**	5,018	4,939	5,708	6,691
Non-controlling interests	**717**	492	726	1,890	1,102
Profit attributable to equity holders of the Company	**4,808**	4,526	4,213	3,818	5,589
ASSETS AND LIABILITIES					
Non-current assets	**90,063**	88,551	83,389	71,414	71,914
Net current assets/(liabilities)	**7,498**	3,520	1,050	(2,749)	3,462
Total assets less current liabilities	**97,561**	92,071	84,439	68,665	75,376
Non-current liabilities	**20,912**	16,925	28,013	14,983	20,569
Non-controlling interests	**7,821**	7,716	7,827	8,140	11,355
Capital and reserves attributable to equity holders of the Company	**68,828**	67,430	48,599	45,542	43,452
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**155.07**	159.41	166.89	153.26	225.89
– Diluted (HK cents)	**154.91**	159.28	166.59	153.09	225.33
Dividend per share (HK cents)	**77.00**	77.00	77.00	70.00	98.00

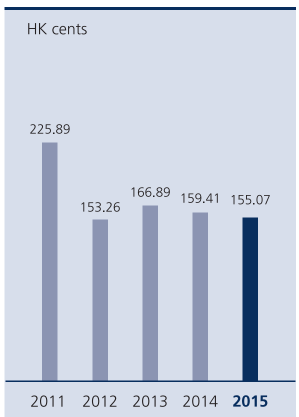
Revenue



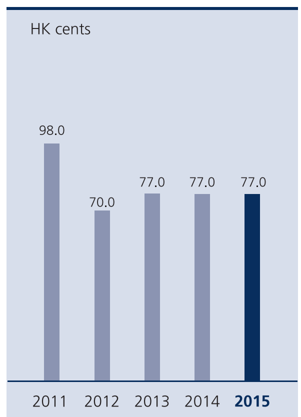
Profit attributable to equity holders of the Company



Earnings per share



Dividend per share



Corporate Governance Report

The Board of Directors (the "**Board**") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2015.

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.

Corporate Governance

In the opinion of the Directors, the Company has complied with the requirements under the Companies Ordinance, the Securities and Futures Ordinance for, among other things, the disclosure of information, and the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 2015.

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 27 May 2015 to answer shareholders' questions.

Board of Directors

The Board of the Company comprises:

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Li Jianhong *(Chairman)* (resigned on 18 February 2016)	Male	Chinese	59	5.2
Li Xiaopeng *(Chairman)* (appointed as Chairman on 18 February 2016)	Male	Chinese	56	1.3
Hu Jianhua *(Vice Chairman)* (retired as Managing Director on 16 April 2015 and appointed as Vice Chairman on 18 February 2016)	Male	Chinese	53	8.6
Li Yinquan (resigned on 13 March 2015)	Male	Chinese	60	13.8
Hu Zheng (resigned on 13 March 2015)	Male	Chinese	59	10.8
Meng Xi (resigned on 13 March 2015)	Male	Chinese	59	13.8
Su Xingang (resigned on 18 February 2016)	Male	Chinese	57	8.6
Fu Gangfeng (appointed on 1 June 2015)	Male	Chinese	49	0.6
Yu Liming	Male	Chinese	53	17.0
Wang Hong	Male	Chinese	53	10.6
Deng Renjie (appointed on 1 June 2015)	Male	Chinese	45	0.6
Bai Jingtao *(Managing Director)* (appointed as Managing Director on 1 June 2015)	Male	Chinese	50	0.6
Wang Zhixian (appointed on 18 February 2016)	Male	Chinese	50	N/A
Zheng Shaoping	Male	Chinese	52	3.9

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Kut Ying Hay	Male	Chinese	60	23.6
Lee Yip Wah Peter	Male	Chinese	73	14.5
Li Kwok Heem John	Male	Chinese	60	11.3
Li Ka Fai David	Male	Chinese	60	8.6
Bong Shu Ying Francis	Male	Chinese	73	5.5

The five Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, engineering and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

During the year, nine full board meetings were held and the attendance of each Director is set out as follows:

Name of Director	Number of board meetings attended during the Director's term of office in 2015	Attendance rate
Li Jianhong	9/9	100%
Li Xiaopeng	8/9	88.9%
Hu Jianhua	9/9	100%
Li Yinquan	1/1	100%
Hu Zheng	1/1	100%
Meng Xi	1/1	100%
Su Xingang	9/9	100%
Fu Gangfeng	2/3	66.7%
Yu Liming	9/9	100%
Wang Hong	9/9	100%
Deng Renjie	3/3	100%
Bai Jingtao	3/3	100%
Zheng Shaoping	9/9	100%
Kut Ying Hay	9/9	100%
Lee Yip Wah Peter	9/9	100%
Li Kwok Heem John	9/9	100%
Li Ka Fai David	9/9	100%
Bong Shu Ying Francis	9/9	100%

There was no material financial, business, family or other relevant relationship among members of the Board.

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective supervision over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

At least 14 days' notice of all regular board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary or his assistant assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all Directors at least 3 days before the date of every board meeting so that the Directors have the time to review the documents. Minutes of every board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at or before the following board meeting.

Training and support for Directors

Every Board member is entitled to access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary or his assistant, and has the liberty to seek external professional advice if so required. The Company Secretary or his assistant continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Furthermore, all Directors participated in continuous professional development to develop and refresh their knowledge and skills and to ensure that their contribution to the Board remains informed and relevant.

During the year, the Directors also participated in the following trainings:

Name of Director	Type of training
Li Jianhong	A,B,C
Li Xiaopeng	A,B,C
Hu Jianhua	A,B,C
Li Yinquan	*
Hu Zheng	*
Meng Xi	*
Su Xingang	A,B,C
Fu Gangfeng	A,B,C
Yu Liming	A,B,C
Wang Hong	A,B,C
Deng Renjie	A,B,C
Bai Jingtao	A,B,C
Zheng Shaoping	A,B,C
Kut Ying Hay	A,C
Lee Yip Wah Peter	A,C
Li Kwok Heem John	C
Li Ka Fai David	A,C
Bong Shu Ying Francis	A,C

A: attending seminars and/or conferences and/or forums
B: giving talks at seminars and/or conferences and/or forums
C: reading journals and updates relating to the economy, general business or director's duties and responsibilities etc.
* Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi resigned as Executive Directors of the Company on 13 March 2015

Directors' securities transactions

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 Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, each Director confirmed that he has complied with the required standard set out in the Model Code during the year.

Chairman and Managing Director

The Chairman of the Board is responsible for the leadership and effective running of the Board and the Managing Director is delegated with the authorities to manage the business of the Group in all aspects effectively. The Chairman of the Company is Mr. Li Xiaopeng and the Managing Director of the Company is Mr. Bai Jingtao.

Appointment and re-election of Directors

According to Article 89 of the Company's articles of association (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has fixed the term of appointment for Independent Non-executive Directors to a specific term of 3 years. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Article 89 of the Articles.

According to Article 95 of the Articles, the Board has the power to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In considering the appointment of a Director, the Board will take into account the professional qualifications, experience in relevant industries, management expertise and the potential contribution of such Director to advance the overseas expansion plan of the Company.

At a Board meeting held on 1 June 2015, the Board resolved to appoint Mr. Fu Gangfeng, Mr. Deng Renjie and Mr. Bai Jingtao as Executive Directors and Mr. Bai Jingtao as Managing Director.

At a Board meeting held on 18 February 2016, the Board resolved to appoint Mr. Li Xiaopeng and Mr. Hu Jianhua as the Chairman and Vice Chairman of the Board respectively, and has appointed Mr. Wang Zhixian as an Executive Director.

In respect of the appointment of Mr. Fu Gangfeng, Mr. Deng Renjie, Mr. Bai Jingtao and Mr. Wang Zhixian, the Board has taken into consideration, inter alia, their qualifications, management expertise and experience in relevant industries.

Nomination Committee

The Nomination Committee was established in March 2012. It comprises one Executive Director and five Independent Non-executive Directors. Three meetings were held in 2015. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2015	Attendance rate
Kut Ying Hay *(Chairman of the Nomination Committee)*	3/3	100%
Hu Jianhua (resigned on 1 June 2015)	2/2	100%
Bai Jingtao (appointed on 1 June 2015)	0/1	0%
Lee Yip Wah Peter	3/3	100%
Li Kwok Heem John	3/3	100%
Li Ka Fai David	3/3	100%
Bong Shu Ying Francis	3/3	100%

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors according to the independence requirements set out in Rule 3.13 of the Listing Rules and made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors after considering their qualifications, management expertise and experience in relevant industries. The Nomination Committee has made recommendation to the Board on 1 June 2015 on the appointment of Mr. Fu Gangfeng, Mr. Deng Renjie and Mr. Bai Jingtao as Executive Directors to fill the vacancies following the resignation of Mr. Li Yinquan, Mr. Hu Zheng & Mr. Meng Xi on 13 March 2015, and the appointment of Mr. Bai Jingtao as a Managing Director to fill a vacancy following the retirement of Mr. Hu Jianhua on 16 April 2015.

A Board Diversity Policy was adopted in August 2013. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee developed measurable objectives to implement the Board Diversity Policy, where selection of candidates will be based on a range of diversity perspectives as set out above, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Pursuant to the Articles, Mr. Hu Jianhua, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Fu Gangfeng, Mr. Deng Renjie, Mr. Bai Jingtao and Mr. Wang Zhixian shall hold office until the next following general meeting of the Company and shall be eligible and offer himself for re-election. The Nomination Committee, in considering the re-election of these Directors, has considered and taken into account the objectives set out in the Board Diversity Policy.

The major roles and functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of Independent Non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

5. to consider other topics as defined by the Board.

Remuneration Committee

The Remuneration Committee was established in January 2005. It comprises one Executive Director and five Independent Non-executive Directors. One meeting was held in 2015. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2015	Attendance rate
Li Ka Fai David *(Chairman of the Remuneration Committee)*	1/1	100%
Hu Jianhua (resigned on 1 June 2015)	—	—
Bai Jingtao (appointed on 1 June 2015)	0/1	0%
Kut Ying Hay	1/1	100%
Lee Yip Wah Peter	1/1	100%
Li Kwok Heem John	1/1	100%
Bong Shu Ying Francis	1/1	100%

During the year, the Remuneration Committee has reviewed and recommended for approval by the Board the remuneration of the Directors and senior management with reference to the nature of their work, complexity of the responsibilities and performance. No Director took part in any discussion about his own remuneration.

The Company has adopted a new share option scheme on 9 December 2011 in place of the previous share option scheme which was terminated on the same day, which serves as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme are set out on pages 51 to 54 of the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. either (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. Factors which should be taken into consideration include but not limited to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

6. to make recommendations to the Board on the remuneration of Non-executive Directors;

7. to ensure that no Director or any of his associates is involved in deciding his own remuneration;

8. to consult the Chairman and/or the Managing Director about their remuneration proposals for other Executive Directors. The Remuneration Committee should have access to independent professional advice if necessary; and

9. to consider other topics as defined by the Board.

Accountability and audit

The Directors are responsible for overseeing the preparation of accounts of each financial period, which should give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("**HKFRSs**") and Hong Kong Accounting Standards ("**HKASs**") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis.

The statement of the auditor of the Company about the reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 64 to 65.

Audit Committee

The Audit Committee comprises all of the five Independent Non-executive Directors.

The Audit Committee meets at least twice a year. Two meetings were held in 2015. The minutes of the Audit Committee meetings were tabled at Board meetings for Directors to take note and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2015	Attendance rate
Lee Yip Wah Peter *(Chairman of the Audit Committee)*	2/2	100%
Kut Ying Hay	2/2	100%
Li Kwok Heem John	2/2	100%
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the meetings held in 2015, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2014 and for the six months ended 30 June 2015;

(ii) reviewed the effectiveness of internal control system;

(iii) reviewed the external auditor's audit plan and engagement letter;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2014;

(v) reviewed and recommended for approval by the Board the 2015 audit scope and fees;

(vi) reviewed the connected transactions entered into by the Group during 2014;

(vii) reviewed the terms of reference of the Audit Committee in accordance to the Listing Rules on the Stock Exchange (as amended from time to time); and

(viii) reviewed the Company's internal control manual applicable to employees and directors.

The major roles and functions of the Audit Committee are as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

3. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit;

   (iv) the going concern assumptions and any qualifications;

   (v) compliance with accounting standards; and

   (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

5. Regarding to (4) above:

   (i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

   (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

6. to review the Company's financial controls, internal controls and risk management systems;

7. to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

10. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls and management's response;

11. to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

12. where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

15. to act as the key representative body for overseeing the Company's relationship with the external auditor;

16. to report to the Board on the matters of the terms of reference of the Audit Committee;

17. to review the Group's financial and accounting policies and practices;

18. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

19. to review and monitor the training and continuous professional development of directors and senior management;

20. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

21. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

22. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report set out in Appendix 14 to the Listing Rules; and

23. to consider other topics, as defined by the Board.

Auditor's remuneration

During the year under review, the remuneration to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK$'million
Audit services	12
Non-audit services	
(Tax, compliance	
and advisory services)	5
Total	17

Internal control

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's assets.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. Areas of responsibilities of each business and operational unit are clearly defined to ensure effective checks and balances.

The key procedures that the Board established to provide effective internal controls are as follows:

- A distinct organisation structure exists with defined lines of authority and control responsibilities;

- A unified and comprehensive auditing and management accounting system for the Group is in place to prepare financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

- A centralised management system in respect of external investment, equity transfer and assets disposal is in place. Investment Assessment Committee together with Strategy and Operations Department, Business Development Department and International Division are responsible for the Group's investment exposure analysis at home and abroad, and for monitoring the level of investment exposures faced by the Group. A set of processing procedures for examination and approval is implemented by our headquarter on the acquisitions and disposals of assets by the operating units under the Group;

- Systems and procedures are also in place to identify, measure, manage and control risks including reputation, legal, strategic, financing, guarantee, taxation, market, operational and project construction risks. Exposure to risks of implementation and development of strategies, changes in policies and legal proceedings is monitored by the Group's officer in charge of strategic research together with Strategy and Operations Department and Board of Directors and Legal Department. Exposure to risks of the Group's financing, guarantee, taxation and use of funds is monitored by the Group's officer in charge of financial management together with the Finance Department and other risks management units. Exposure to risks of market, operation and change of operation environment relating to the Group's business is monitored by the Group's officer in charge of business and operation management together with Strategy and Operations Department, Group Marketing and Commercial Department, Engineering and Information Technology Department, Safety Production Management Committee Office and the operating units. Exposure to risks of the Group's project construction, equipment and bulk materials procurement is monitored by the Group's officer in charge of project management together with Engineering and Information Technology Department. In addition, procedures are designed to ensure compliance with applicable laws, rules and regulations;

- Basic risk management and control system is set up while internal control system and self-assessment system are established according to the Group's actual circumstances;

- Policies and procedures are designed for safeguarding assets against unauthorised use or disposition. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud;

- A Policy on Handling and Dissemination of Inside Information is established, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner in such a way that it does not place any person in a privileged dealing position and allows time for the market to price the shares of the Company to reflect the latest available information; and

- The Audit Committee reviews the annual audit report, including the management letter, submitted by the external auditor to the management of the Group, and the internal audit report, the risk management assessment report, the internal control assessment report submitted by the officer(s) in charge of internal control and audit. The scope of functions of Internal Control and Audit Department encompasses monitoring the authenticity and compliance of economic activities (e.g. finance, operation and investment), leading and organizing risk management and self-assessment of internal control, and ensuring all operational management activities are under control by assessing, tracking and preventing material risks, as well as establishing an internal control system that is scientific and effective.

The Board and the Audit Committee assess the effectiveness of the Group's internal control system which covers all material controls, including financial, investing, marketing, operation, project construction and regulations compliance and risk management functions and consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget on an annual basis. The Internal Control and Audit Department conducts independent reviews of risks associated with and controls over various operations and activities. Significant findings on internal controls, assessment on risk management and self-assessment on internal control system are reported regularly to the Audit Committee each year.

Company Secretary

The Company Secretary, Mr. Leung Chong Shun, is a practicing solicitor in Hong Kong. Although he is not a full-time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Ms. Yvonne Luk Man Kuen, General Manager of Board of Directors and Legal Department of the Company. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

Communications with shareholders and investors

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit and Remuneration Committees (or their duly appointed delegates) together with the external auditor are present to answer shareholders' questions. Circulars which set out relevant information of the proposed resolutions are distributed to all shareholders at least 10 clear business days before the extraordinary general meeting and at least 20 clear business days before the annual general meeting.

At the 2015 annual general meeting held on 27 May 2015, the Chairman of the meeting demanded that all resolutions proposed at the meeting to be voted by poll. The procedures for conducting a poll were explained at the meeting. The results of the poll were published on the websites of the Company and the Stock Exchange. The attendance of each Director at the general meeting held in 2015 is set out as follows:

Name of Director	Number of general meeting attended in 2015
Li Jianhong	1/1
Li Xiaopeng	1/1
Hu Jianhua	1/1
Li Yinquan	*1
Hu Zheng	*1
Meng Xi	*1
Su Xingang	1/1
Fu Gangfeng	*2
Yu Liming	0/1
Wang Hong	0/1
Deng Renjie	*2
Bai Jingtao	*2
Zheng Shaoping	1/1
Kut Ying Hay	1/1
Lee Yip Wah Peter	1/1
Li Kwok Heem John	1/1
Li Ka Fai David	1/1
Bong Shu Ying Francis	1/1

*1 Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi resigned as Executive Directors of the Company on 13 March 2015

*2 Mr. Fu Gangfeng, Mr. Deng Renjie and Mr. Bai Jingtao were appointed as Executive Directors of the Company on 1 June 2015

Pursuant to sections 566 to 568 of the Companies Ordinance, shareholder(s) representing at least 5 per cent of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can make a requisition to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting, and must be authenticated by the person or persons making it and sent to the Company either in hard copy form or in electronic form. Besides, pursuant to sections 615 to 616 of the Companies Ordinance, shareholder(s) of the Company can request the Company to give notice of a resolution and move such resolution at an annual general meeting, provided that such a request is made by (i) shareholder(s) of the Company representing at least 2.5 per cent of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates. Such a request must identify the resolution of which notice is to be given, be either in hard copy form or in electronic form and authenticated by the person or persons making it, and be received by the Company not later than six weeks before the annual general meeting to which the request relates or, if received by the Company later then the time as stated above, the time at which notice is given of that meeting. Procedures for shareholders to propose a person for election as a director have been uploaded to the Company's website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner.

The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the Investor Relations Representative of the Company. The contact details are as follows:

Investor Relations Representative of
China Merchants Holdings (International) Company Limited
38th Floor, China Merchants Tower
Shun Tak Centre, 168-200 Connaught Road Central
Hong Kong
Email: relation@cmhk.com
Tel No.: 2102 8888
Fax No.: 2587 8811

The 2016 annual general meeting of the Company will be held at 9:30 a.m. on Friday, 3 June 2016 at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

Directors and Senior Management

Directors

Mr. Li Xiaopeng

aged 56, is the Chairman of the Company and the President and Director of China Merchants Group Limited. He graduated from the doctorate program of Wuhan University, majoring in finance and holds a Ph.D. in economics. He is a Senior Economist. Mr. Li is a vice chairman of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. He is also concurrently acting as vice chairman of China Urban Financial Society, vice chairman of China Rural Financial Society and vice chairman of China Tourism Association. Mr. Li previously served as deputy head of Henan Branch of Industrial and Commercial Bank of China Limited ("ICBC", shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited), general manager of the banking department of the head office of ICBC, head of ICBC Sichuan Branch, vice president of China Huarong Asset Management Corporation, assistant to the president of ICBC and head of ICBC Beijing Branch, vice president of ICBC, executive director and vice president of ICBC, and chairman of the board of supervisors of China Investment Corporation. He also once served concurrently as chairman of ICBC International Holdings Ltd., chairman of ICBC Financial Leasing Co., Ltd., and chairman of ICBC Credit Suisse Asset Management Co., Ltd., and chairman of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange. He was appointed to the Board of Directors as Executive Director and Vice Chairman on 25 August 2014. Mr. Li was appointed as the Chairman of the Company on 18 February 2016.

Mr. Hu Jianhua

aged 53, is the Vice Chairman of the Company and the Executive Vice President of China Merchants Group Limited. He graduated from the Dalian University of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. He then obtained his Master Degree in Construction Management at the University of Birmingham of the United Kingdom and his Doctor Degree in Business Administration at the University of South Australia. He is the Professorial Senior Engineer conferred by Ministry of Transport of China, a fellow member of the Hong Kong Institution of Engineers (FHKIE) and also a fellow member of Institution of Civil Engineering Surveyors of the United Kingdom (FInstCES) respectively. Prior to joining the Company, he was the Managing Director of Hong Kong Zhen Hua Engineering Co., Ltd., Deputy Chief Economist cum General Manager of Overseas Division of China Harbor Engineering Company Group and Managing Director of China Harbor Engineering Company Limited. Having rich working experiences in overseas, he has extended the business to over 50 countries and regions in the investment, development, construction and operation management of large infrastructure projects such as ports, portside industrial park, free trade zones and international shipping centres. With experiences as corporate executive, he is also currently as the Chairman of China Merchants Logistics Group, Chairman of Silk Road E-Merchants Company Limited, the Vice Chairman of COFCO & CM (Shenzhen) Grain Electronic Trading Centre Co., Ltd. and holds the post of executive director in several companies in China and overseas. He was appointed to the Board of Directors as Executive Director on 25 May 2007. He was appointed and had retired as the Managing Director of the Company on 26 March 2010 and 16 April 2015 respectively. Mr. Hu was appointed as the Vice Chairman of the Company on 18 February 2016.

Mr. Fu Gangfeng

aged 49, is the Chief Financial Officer of China Merchants Group Limited. He is also a Director of China Merchants Holdings (Hong Kong) Company Limited. He graduated from Xi'an Highway Scientific Academy with a Bachelor Degree of Finance in September 1987 and a Master Degree of Management Engineering in May 1990, respectively, and became a Senior Qualified Accountant. Prior to his appointment as Executive Director of the Company, Mr. Fu successively served as the Deputy Director of the Zhong Hua (Shekou) Certified Public Accountants, the Director of the Chief Accountant Office and Chief Accountant of China Merchants Shekou Industrial Zone Co., Ltd. and the Chief Financial Officer of China Merchants Shekou Holdings Co., Ltd. and China Merchants Shekou Industrial Zone Co., Ltd., and has been General Manager, Vice Chief Financial Officer and General Manager, Chief Financial Officer and General Manager of the Finance Division of China Merchants Group Limited respectively. He is currently as a Non-executive Director of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and a Vice Chairman of China Merchants Shekou Industrial Zone Holdings Co., Ltd., shares of which are listed on the Shenzhen Stock Exchange. He was appointed to the Board of Directors as Executive Director on 1 June 2015.

Mr. Yu Liming

aged 53, is the Executive Vice President of China Merchants Group Limited. He is also a Director of China Merchants Holdings (Hong Kong) Company Limited. He graduated from the South China University of Science and Technology in 1982. He holds a PhD Degree at the Business School of Fudan University, the PRC. He studied in The International Institute of Infrastructural Hydraulic and Environmental Engineering (IHE), Delft University of Holland and Port of Rotterdam from 1987 to 1988. He joined China Merchants Group Limited in 1984 and has extensive experience in the field of strategic planning, mergers and acquisitions, port management and construction business. He was appointed to the Board of Directors as Executive Director on 8 January 1999.

Mr. Wang Hong

aged 53, is the Executive Vice President of China Merchants Group Limited. He is also a Chairman of China International Marine Containers (Group) Co., Ltd., shares of which are listed on both the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, and the Chairman of the Supervisory Committee of China Merchants Energy Shipping Company Limited, shares of which are listed on the Shanghai Stock Exchange. He graduated from Dalian Maritime University in the PRC in Marine Engineering in 1982, and is a holder of Master in Business Administration from Graduate School of Beijing University of Science and Technology and a holder of PhD in Management from Graduate School of China Academy of Social Science. Mr. Wang successively served as General Manager of Shipping Department, General Manager of Finance and Accounting Department, and Vice President of China Communications Import & Export Corp., Managing Director of Hoi Tung Marine Machinery Suppliers Ltd., General Manager of Performance Evaluation Department, Human Resources Department, Strategic and Research Department and Strategic Planning Department and Chief Economist of China Merchants Group Limited. He was the Deputy Managing Director and Chief Operational Officer of the Company, the Vice Chairman of Shanghai International Port (Group) Co., Ltd., shares of which are listed on the Shanghai Stock Exchange, the Chairman of China Merchants Holdings (Pacific) Limited, shares of which are listed on Singapore Exchange Limited, and a Director of China Merchants Property Development Company Limited, shares of which are listed on the Shenzhen Stock Exchange. Mr. Wang has extensive experience in shipping industry, international trading, financing and accounting and human resources management. He was appointed to the Board of Directors as Executive Director on 11 May 2005.

Mr. Deng Renjie

aged 45, is the Deputy General Manager of China Merchants Group Limited. He graduated from Beijing Electronic Science and Technology Institute with a Bachelor Degree of Computer Science Management in October 1991. He obtained a Master Degree of International Law from Dalian Maritime University afterwards. Prior to his appointment as Executive Director of the Company, Mr. Deng successively served as Consultant of the General Office in Ministry of Transportation of China, Deputy Director of the General Office in Hunan Province, Deputy Secretary-General of Hunan Province, Deputy Secretary-General of the Party Committee of the Xinjiang Uyghur Autonomous Region and Assistant to General Manager and Director of Administration Department of China Merchants Group Limited. He was appointed to the Board of Directors as Executive Director on 1 June 2015.

Mr. Bai Jingtao

aged 50, is a professor level senior engineer and Managing Director of the Company. He graduated from Tianjin University in Department of Hydraulics with a Bachelor Degree of Port and Channel Engineering in 1986, then studied at Graduate School of Wuhan University of Technology and Graduate School of Shanghai Maritime University and obtained a Master Degree of Management Sciences and Engineering and a Doctorate in Transport and Communications Planning and Management, respectively. Prior to his appointment as General Manger of the Company in April 2015, Mr. Bai successively served as an Assistant Engineer in Planning and Design Institute of the Ministry of Communications of the PRC, an Officer in Department of Engineering Management and Department of Infrastructure Management of the Ministry of Communications, Deputy Director and Director in Department of Infrastructure Management and Department of Water Transport of the Ministry of Communications, Deputy General Manager of China Merchants Zhangzhou Development Zone, Director of Zhangzhou Port Service Authority, Deputy Director of Xiamen Port Authority, Deputy General Director of Construction headquarters of Haicang Free Trade Port Area, Deputy General Manager of the Company, Party Secretary and Deputy Director of Zhangzhou China Merchants Economic and Technological Development Zone and Party Secretary and General Manager of China Merchants Zhangzhou Development Zone. Mr. Bai has extensive experience in port management, engineering construction, planning and management of water transport. He is also as the Chairman of CMH International (China) Investment Co., Ltd., Chairman of Shekou Container Terminals Ltd., and Chairman of Chiwan Container Terminal Co., Ltd.. He was appointed as the Managing Director of the Board of Directors on 1 June 2015.

Mr. Wang Zhixian

aged 50, joined the Company in July 1992 and is the Executive Director and Deputy General Manager of the Company. He graduated from Tianjin University, Shanghai Jiaotong University with a Master of Science. He obtained a master degree of Business Administration from Peking University. Mr. Wang has extensive management experience in port and shipping industry. Prior to joining the Company, he worked in Hempel-Hai Hong Paint Company as sales manager. After joining the Company, he was the Deputy General Manager of Industrial Management Department, General Manager of Business Planning Department, and he was the Deputy General Manager of Shenzhen Mawan Port Services Co., Ltd., the Chairman and CEO of Ningbo Daxie China Merchants International Terminal Co., Ltd. and the Managing Director of China Merchants Port Services (Shenzhen) Co., Ltd. and Shenzhen Haixing Harbour Development Co., Ltd.. He was appointed to the Board of Directors as Executive Director on 18 February 2016.

Mr. Zheng Shaoping

aged 52, is the Executive Director and Deputy General Manager of the Company. He graduated from Dalian Maritime University with Postgraduate Diploma in International Maritime Law, and obtained a Master Degree of Business Administration at University of Wales. Mr. Zheng has over 20 years' experience in the field of port management and successively served as the Vice Chairman of China Merchants Bonded Logistics Co., Ltd., the Chairman of Shekou Container Terminals Ltd., the General Manager and Chairman of Chiwan Container Terminal Co., Ltd., the General Manager and the Chairman of Shenzhen Chiwan Harbour Container Co., Ltd. and the Managing Director and the Chairman of Shenzhen Chiwan Wharf Holdings Limited, shares of which are listed on the Shenzhen Stock Exchange. He was appointed to the Board of Directors as Executive Director on 10 February 2012.

Mr. Kut Ying Hay

aged 60, is a solicitor and a notary public in Hong Kong and had been in practice in the name of Kut & Co. for more than 25 years. He is also a solicitor of the Supreme Court of England and Wales, the Supreme Court of Victoria, Australia, and the Supreme Court of Singapore, and is an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators, Australia. He was appointed by the Hong Kong Government as a member of the Board of Review for the period from 1995 to 1998. He has also been appointed by the Ministry of Justice of the PRC as a China Appointed Attesting Officer. Mr. Kut was formerly an Independent Non-executive Director of publicly-listed China Merchants China Direct Investments Limited from June 1993 to October 2011. He was appointed to the Board of Directors as Independent Non-executive Director on 6 June 1992.

Mr. Lee Yip Wah Peter

aged 73, is a retired solicitor. He is also an Independent Non-executive Director of SHK Hong Kong Industries Limited and an Independent Non-executive Director of Sinotrans Shipping Limited. Both the said companies are listed on The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Independent Non-executive Director on 20 June 2001.

Mr. Li Kwok Heem John

aged 60, was a partner at PricewaterhouseCoopers, Certified Public Accountants. He graduated from the Imperial College of the University of London with a Bachelor of Science degree and also obtained a Master of Business Administration degree from the Wharton School of Business of the University of Pennsylvania. He is a Fellow of The Institute of Chartered Accountants in England and Wales. Mr. Li is the Chairman of the United Christian Medical Service and the United Christian Hospital, a member of the Board of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital and Alice Ho Mui Ling Nethersole Hospital, and a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong. He was appointed to the Board of Directors as Independent Non-executive Director on 8 October 2004.

Mr. Li Ka Fai David

aged 60, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK, The Institute of Chartered Secretaries and Administrators, UK as well as The Institute of Chartered Accountants in England and Wales. He is an Independent Non-executive Director and Chairman of audit committee, member of remuneration committee and member of nomination committee of China-Hongkong Photo Products Holdings Limited, an Independent Non-executive Director, Chairman of audit committee, member of remuneration committee and member of nomination committee of Cosmopolitan International Holdings Limited, an Independent Non-executive Director, Chairman of audit committee, member of remuneration committee and member of nomination committee of Goldlion Holdings Limited, an Independent Non-executive Director and Chairman of audit committee of Shanghai Industrial Urban Development Group Limited, an Independent Non-executive Director, member of audit committee and member of remuneration committee of AVIC International Holding (HK) Limited, and an Independent Non-executive Director and Chairman of audit committee of Wai Yuen Tong Medicine Holdings Limited, shares of the above six companies are listed on The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Independent Non-executive Director on 1 June 2007.

Mr. Bong Shu Ying Francis

aged 73, OBE, JP, is currently a Non-executive Director of Cosmopolitan International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Bong holds a Bachelor's degree of Sciences in Engineering from the University of Hong Kong and was the Chairman of the Hong Kong University Engineering Advisory Committee. He is a former President of the Hong Kong Institution of Engineers, a former President of Hong Kong Academy of Engineering Sciences, a Fellow of the Institution of Civil Engineers (UK) and a Fellow of the Institution of Structural Engineers (UK). Mr. Bong is an Honorary Fellow of the University of Hong Kong and he was appointed a Justice of Peace in 1992 by the Government of Hong Kong and he received an OBE award in 1997 for his outstanding contribution to the development of the engineering profession in Hong Kong. Mr. Bong was a former Director of AECOM Technology Corporation, a company listed on the New York Stock Exchange. He was appointed to the Board of Directors as Independent Non-executive Director on 14 July 2010.

Senior management

Mr. Liu Yunshu

aged 50, joined the Company in 2004 and is Overseas Operation Officer of the Company. He obtained his Master of Business Administration at Roosevelt University of America. Mr. Liu has vast experience in ports and logistics industries. Before joining the Company, he was a Director and Deputy General Manager of Shenzhen Shekou China Merchants Port Services Co., Ltd., Vice Chairman and General Manager of Shenzhen Shekou Anda Industry Co. Ltd. and a Director and Executive Deputy General Manager of China Merchants Logistics Group Co., Ltd. He previously served as a Deputy General Manager of the Company and Chief Executive Officer of Colombo International Container Terminals Limited. He was an Executive Director of the Company for the period from 3 June 2009 to 10 February 2012.

Mr. Hang Tian

aged 51, joined the Company in February 2011 and is the Deputy General Manager of the Company. He was the former Chief Executive Officer of China Merchants Americold and Deputy General Manger of China Merchants Food Supply Chain Management Company Limited. He was honored a Master of Business Administration Degree jointly given by Shanghai Maritime University and Management School of Maastricht of Holland, and also obtained a Master Degree of Supply Chain and Logistics Management at The Chinese University of Hong Kong. Before joining the Company, he was a Regional Manager of Sea-Land Service (China) Co. Ltd., the Deputy General Manager of Shenzhen Shekou China Merchants Port Services Co. Ltd., the General Manager of China Ever Bright Financial Assets Management (HK) Co. Ltd., the Deputy General Manager of ST-Anda Logistics Co. Ltd. and the Deputy General Manager of China Merchants Logistics Holding Co. Ltd..

Ms. Shi Wei

aged 52, joined the Company in 2015 and is the Deputy General Manager of the Company. She graduated from Anhui University with the Master Degree of International Economics, and obtained a Master Degree of Executive Master of Business Management of Cheung Kong Graduate School of Business. Ms. Shi has over 20 years' experience in the field of Maritime and Port and Transportation Management and she successively held the post of Head of Legal Section of Transport Management Bureau of Shenzhen Municipality, Vice Commissioner of Shenzhen Highway Management Bureau, the Commissioner of Western Transportation of Transport Commission of Shenzhen Municipality, Deputy inspector of Transport Commission of Shenzhen Municipality. She is currently as the Chairman of Shenzhen Chiwan Wharf Holdings Limited which is listed on the Shenzhen Stock Exchange, the Chairman of Shenzhen Hauxing Harbor Development Company Ltd. and the Chairman of China Merchants Port Service (Shenzhen) Co., Ltd..

Mr. Lu Shengzhou

aged 51, joined the Company in 2015 and is the Chief Financial Officer of the Company. He graduated from Zhongnan University of Economics with a Master Degree of National Economics. Mr. Lu has over 20 years' experience in Financial management and he successively held the post of Head of Finance Department of China Merchants Shekou Industrial Zone Holdings Co., Ltd., Assistant to General Manager and Officer of Finance Department of China Merchants Group Ltd., Chief Financial Officer of Hong Kong Ming Wah Shipping Co., Ltd., Deputy General Manager of Finance Department of China Merchants Group Ltd..

Report of the Directors

The Board is pleased to present the Company's annual report together with the audited financial statements for the year ended 31 December 2015. All references in this section "Report of the Directors" to other sections in this Annual Report form part of this section.

Principal activities and geographical analysis of operations

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 41 to 43 to the consolidated financial statements, respectively.

An analysis of the Group's performance for the current year by operating segments is set out in note 6 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 66.

The Board had declared an interim dividend of 22 HK cents per share, totaling HK$569 million, which was paid on 18 November 2015.

The Directors have resolved to recommend the payment of a final scrip dividend of 55 HK cents per share, totaling HK$1,429 million for the year ended 31 December 2015 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 (2014: scrip dividend of 55 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 July 2016 to the shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 10 June 2016 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 3 June 2016, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 14 June 2016. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 18 July 2016.

Business review

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Chairman's Statement and the Management Discussion and Analysis on pages 6 to 11 and pages 12 to 27 of this Annual Report respectively. Description of key risk factors and uncertainties that the Group is facing is provided in the Management Discussion and Analysis on pages 12 to 27 of this Annual Report and in note 4 to the consolidated financial statements while the financial risk management of the Group can be found in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Highlights on pages ii to II of this Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policy are contained in the Management Discussion and Analysis and Corporate Governance Report on pages 12 to 27 and pages 30 to 41 of this Annual Report respectively.

Principal subsidiaries

The particulars of the principal subsidiaries of the Company are set out from pages 163 to 165 of this Annual Report.

Charitable donations

HK$3.23 million donation was made by the Group during the year (2014: HK$3.82 million).

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in notes 30 and 44 to the consolidated financial statements respectively.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

Shares issued

Details of the movements in the issued shares of the Company are set out in note 28 to the consolidated financial statements.

Distributable reserves

Distributable reserves of the Company as at 31 December 2015 amounted to HK$3,967 million (2014: HK$4,942 million).

Five-year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 29.

Purchase, sale or redemption of shares

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

Directors

The Directors during the year ended 31 December 2015 and up to the date of this report were:

Executive Directors:

Mr. Li Jianhong *(Chairman)* (resigned on 18 February 2016)
Mr. Li Xiaopeng *(Chairman)*
(appointed as Chairman on 18 February 2016)
Mr. Hu Jianhua *(Vice Chairman)*
(retired as Managing Director
on 16 April 2015 and appointed as Vice Chairman
on 18 February 2016)
Mr. Li Yinquan (resigned on 13 March 2015)
Mr. Hu Zheng (resigned on 13 March 2015)
Mr. Meng Xi (resigned on 13 March 2015)
Mr. Su Xingang (resigned on 18 February 2016)
Mr. Fu Gangfeng (appointed on 1 June 2015)
Mr. Yu Liming
Mr. Wang Hong
Mr. Deng Renjie (appointed on 1 June 2015)
Mr. Bai Jingtao *(Managing Director)*
(appointed on 1 June 2015)
Mr. Wang Zhixian (appointed on 18 February 2016)
Mr. Zheng Shaoping

Independent Non-executive Directors:

Mr. Kut Ying Hay
Mr. Lee Yip Wah Peter
Mr. Li Kwok Heem John
Mr. Li Ka Fai David
Mr. Bong Shu Ying Francis

Biographical details of each Director and member of senior management of the Company are set out in the Directors and Senior Management on pages 42 to 47 of this Annual Report.

Each of Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi resigned as Executive Directors with effect from 13 March 2015 due to change of job assignment. Besides, each of Mr. Li Jianhong and Mr. Su Xingang resigned as Executive Directors with effect from 18 February 2016 as they need to devote more time to focus on the affairs of China Merchants Group.

In accordance with Article 89 of the Articles, Mr. Hu Jianhua, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David will retire from the Board at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election. Pursuant to Article 95 of the Articles, Mr. Fu Gangfeng, Mr. Deng Renjie, Mr. Bai Jingtao and Mr. Wang Zhixian shall retire from office at the forthcoming annual general meeting and shall be eligible and offer themselves for re-election.

Each of the Directors has entered into appointment letter with the Company for a term of three years. One Executive Director's appointment commenced on 25 August 2014, four Executive Directors' appointments commenced on 29 March 2015, and three Executive Director's appointment commenced on 1 June 2015; one Executive Director's appointment commenced on 18 February 2016; three Independent Non-executive Directors' appointments commenced on 22 March 2014 and two Independent Non-executive Directors' appointments commenced on 1 June 2013 and 14 July 2013 respectively. The appointment of each of the Directors is subject to retirement by rotation in accordance with the Articles.

The Company has received annual confirmations from each of the Independent Non-executive Directors in relation to their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company.

Directors of Subsidiaries

The name of persons who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are Mr. Hu Jianhua, Mr. Yu Liming, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding companies, its fellow subsidiaries or its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in securities

As at 31 December 2015, the interests of the Directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and Share Options in the Company

Name of Director	Capacity	Nature of interest	Number of shares held in the Company	Number of shares in the Company subject to share options granted	Percentage of aggregate long position in shares held to the issued shares as at 31 December 2015
Mr. Su Xingang	Beneficial owner	Personal interest	50,000	150,000	0.0077%
Mr. Fu Gangfeng	Beneficial owner	Personal interest	—	280,000	0.0108%
Mr. Yu Liming	Beneficial owner	Personal interest	414,301	500,000	0.0352%
Mr. Wang Hong	Beneficial owner	Personal interest	466,898	150,000	0.0237%
Mr. Bai Jingtao	Beneficial owner	Personal interest	—	180,000	0.0069%
Mr. Zheng Shaoping	Beneficial owner	Personal interest	—	300,000	0.0115%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	174,635	—	0.0067%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,712,767	—	0.0659%
			2,818,601	1,560,000	0.1684%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2015, none of the Directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Apart from the share option schemes disclosed below, at no time during the year was any of the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Pension scheme

Details of the pension scheme, maintained by the Group, contributions made and forfeiture utilised during the year are set out on page 121 of this Annual Report.

Share option scheme

At an extraordinary general meeting of the Company held on 9 December 2011 (the "**Adoption Date**"), the shareholders of the Company adopted the new share option scheme (the "**Share Option Scheme**") and the previous share option scheme was terminated on the same date. Under the Share Option Scheme the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates, to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by the CMHK Group (representing China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**"), an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group (together with directors and employees of the Company, its subsidiaries and associates, the "**Eligible Persons**").

Details of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide the Company with a flexible means of incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

(ii) Qualifying participants

Any Eligible Persons.

(iii) Maximum number of shares

(1) 10% limit

Subject to (iii)(2) and (iii)(3) below, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options granted under the share option scheme of the Company adopted on 26 June 1992 and terminated on 20 December 2001 and the share option scheme of the Company adopted on 20 December 2001 and terminated on 9 December 2011 (the "**Terminated Schemes**") must not in aggregate exceed 10% of the shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the Share Option Scheme and the Terminated Schemes will not be counted for the purpose of calculating the 10% limit.

(2) Refreshing the 10% limit

Subject to (iii)(5) below if applicable, the Board may, with the approval of the shareholders in general meeting "refresh" the 10% limit under (iii)(1) above (and may further "refresh" such limit once refreshed in accordance with the provisions of this rule), provided that the total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and options granted under the Terminated Schemes under the limit as refreshed shall not exceed 10% of the shares in issue at the date on which the shareholders approve the "refreshed" limit. Options previously granted under the Share Option Scheme and the Terminated Schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the relevant schemes) will not be counted for the purpose of calculating the limit as "refreshed".

(3) Exceeding the 10% limit

The Board may grant option to any Eligible Person or Eligible Persons specifically identified by them which would cause the limit under (iii)(1) above (including, for the avoidance of doubt, any such limit as "refreshed" under (iii)(2) above) to be exceeded, but only with the approval of the shareholders of the Company in general meeting, and subject always to (iii)(5) below.

(4) Individual limit

(a) Subject to (iii)(4)(b) below (and subject always to (iii)(5) below), the Board shall not grant any option (the "**Relevant Options**") to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him/her under all options granted to him/her in the 12-month period up to and including the date of grant of the Relevant Options, exceed 1% of the shares in issue at such date.

(b) Notwithstanding (iii)(4)(a) above, the Board may grant options to any Eligible Person or Eligible Persons causing the limit under (iii)(4)(a) above in relation to such Eligible Person to be exceeded, but only with the approval of the shareholders of the Company in general meeting (with such Eligible Person and his associates abstaining from voting), and subject always to (iii)(5) below.

(5) 30% maximum limit

The number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and the Terminated Schemes to Eligible Persons must not exceed 30% of the shares in issue from time to time.

(iv) Option period

Subject to certain provisions, an option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time up to the expiry of 10 years (or less, as the case may be) from the date of grant of the option. The exercise of the options may be subject to any conditions imposed by the Board at the time of offer. The rules of the Share Option Scheme do not contain specific provisions for the minimum period which an option must be held before exercise or performance targets applicable to the options.

(v) Payment for option

Option-holders are not required to pay for grant of an option.

(vi) Subscription price

The subscription price for the shares in respect of which options are granted shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(vii) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and ending on 8 December 2021.

(viii) Shares available for issue under the Share Option Scheme

As at 31 March 2016, the total number of shares which may be issued pursuant to the exercise of options granted under the Terminated Schemes was 12,912,000 shares.

As at 31 March 2016, the total number of shares available for issue under the Terminated Schemes and the Share Option Scheme was 260,353,123 shares, which represented approximately 10.02% of the total issued shares of the Company as at the same date.

Details of the share options outstanding at 31 December 2015 which have been granted under the Terminated Schemes are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2015	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Other changes during the year	Options held as at 31 December 2015
Directors									
Mr. Li Yinquan [4]	25 May 2006	23.03	250,000	—	(100,000)	—	—	(150,000)	—
Mr. Hu Zheng [4]	25 May 2006	23.03	400,000	—	—	—	—	(400,000)	—
Mr. Meng Xi [4]	25 May 2006	23.03	200,000	—	—	—	—	(200,000)	—
Mr. Su Xingang	25 May 2006	23.03	350,000	—	(200,000)	—	—	—	150,000
Mr. Fu Gangfeng [5]	25 May 2006	23.03	—	—	—	—	—	280,000	280,000
Mr. Yu Liming	25 May 2006	23.03	500,000	—	—	—	—	—	500,000
Mr. Wang Hong	25 May 2006	23.03	150,000	—	—	—	—	—	150,000
Mr. Bai Jingtao [5]	25 May 2006	23.03	—	—	—	—	—	180,000	180,000
Mr. Zheng Shaoping	25 May 2006	23.03	300,000	—	—	—	—	—	300,000
			2,150,000	—	(300,000)	—	—	(290,000)	1,560,000
Continuous contract employees – The Group and the CMHK Group									
	25 May 2006	23.03	18,083,000	—	(7,021,000)	—	—	290,000	11,352,000
	21 June 2006	20.91	150,000	—	(150,000)	—	—	—	—
			18,233,000	—	(7,171,000)	—	—	290,000	11,352,000
			20,383,000	—	(7,471,000)	—	—	—	12,912,000

Notes:

1. The above outstanding share options can be exercised at any time during a period of 10 years commencing on the date of grant of the options.
2. The weighted average closing market price per share immediately before the date on which the share options were exercised was HK$32.338.
3. No share options were granted under the Terminated Schemes and the Share Option Scheme during the year.
4. Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi resigned as Executive Director on 13 March 2015 and remain as continuous contract employees of the CMHK Group. Mr. Li Yinquan exercised 100,000 share options during the time he was Executive Director. Upon their resignation, the 150,000, 400,000 and 200,000 outstanding share options held respectively by Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi have been re-categorised under "Continuous contract employees".
5. Mr. Fu Gangfeng and Mr. Bai Jingtao were appointed as Executive Director on 1 June 2015 and held 280,000 and 180,000 share options, respectively, at the time of their appointment.
6. Other changes during the period include the re-categorisation of share options from "Directors" to "Continuous contract employees" and vice versa following the resignation and appointment of certain directors as mentioned in notes 4 and 5 above.

Substantial shareholders

As at 31 December 2015, the following persons, other than a Director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Positions

Name of Substantial shareholder	Capacity	Shares/underlying shares held	Percentage to total issued shares
China Merchants Group Limited	Interest of Controlled Corporation	1,894,918,269(1,2,3)	72.92%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,891,318,269(2)	72.78%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,891,318,269(2)	72.78%
China Merchants Union (BVI) Limited	Beneficial Owner	911,410,193(2)	35.07%
China Merchants Investment Development Company Limited	Beneficial Owner	715,398,622(2)	27.53%
Hoi Tung Marine Machinery Suppliers Limited	Interest of Controlled Corporation	243,360,576(2)	9.36%
Hoi Tung Investment (Yantai) Limited	Beneficial Owner	243,360,576(2)	9.36%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	914,134,878(4)	35.18%
Compass Investment Company Limited	Interest of Controlled Corporation	914,134,878(4)	35.18%
GUOXIN International Investment Corporation Limited	Interest of Controlled Corporation	911,410,193(5)	35.07%
Verise Holdings Company Limited	Interest of Controlled Corporation	911,410,193(5)	35.07%

Notes:

1. Each of China Merchants Steam Navigation Company Limited and China Merchants Shekou Industrial Zone Company Limited is wholly-owned by China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 1,894,918,269 shares (of which 502,676,197 shares represents interest of underlying shares of equity derivatives), which represents the aggregate of 1,891,318,269 shares deemed to be interested by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,600,000 shares deemed to be interested by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).

2. CMHK is wholly-owned by China Merchants Steam Navigation Company Limited. Each of China Merchants Investment Development Company Limited, Hoi Tung Marine Machinery Suppliers Limited and China Merchants International Finance Company Limited is in turn wholly-owned by CMHK and China Merchants Union (BVI) Limited ("**CMU**") is 50%-owned by CMHK.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,891,318,269 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 911,410,193 shares beneficially held by CMU, 715,398,622 shares beneficially held by China Merchants Investment Development Company Limited, 243,360,576 shares deemed to be interested by Hoi Tung Marine Machinery Suppliers Limited and 21,148,878 shares deemed to be interested by China Merchants International Finance Company Limited.

   As Hoi Tung Investment (Yantai) Limited is wholly-owned by Hoi Tung Marine Machinery Suppliers Limited, Hoi Tung Marine Machinery Suppliers Limited is deemed to be interested in the 243,360,576 shares beneficially held by Hoi Tung Investment (Yantai) Limited. As Best Winner Investment Limited is wholly-owned by China Merchants International Finance Company Limited, China Merchants International Finance Company Limited is deemed to be interested in the 21,148,878 shares beneficially held by Best Winner Investment Limited.

3. Top Chief Company Limited is wholly-owned by China Merchants Shekou Industrial Zone Company Limited and Orienture Holdings Company Limited is in turn wholly-owned by Top Chief Company Limited. China Merchants Shekou Industrial Zone Company Limited is deemed to be interested in the 3,600,000 shares which are deemed to be interested by Top Chief Company Limited. Such shares represent the 3,600,000 shares beneficially held by Orienture Holdings Company Limited.

4. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited on 21 May 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited, which is in turn 90%-owned by Compass Investment Company Limited, which is in turn wholly-owned by Pagoda Tree Investment Company Limited. Therefore, each of Verise Holdings Company Limited, GUOXIN International Investment Corporation Limited, Compass Investment Company Limited and Pagoda Tree Investment Company Limited is deemed to be interested in the 914,134,878 shares beneficially held by CMU.

5. According to the disclosure of interests form submitted by GUOXIN International Investment Corporation Limited on 12 June 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited. Therefore, each of Verise Holdings Company Limited and GUOXIN International Investment Corporation Limited is deemed to be interested in the 911,410,193 shares beneficially held by CMU.

Short Positions

Nil

Save as disclosed above, there was no person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

Directors' rights to acquire shares or debentures

Save as disclosed in this Annual report, at no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Permitted Indemnity Provision

The Articles of Association of the Company provides that subject to the provisions of the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director of the Company shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done by him as Director of the Company and in which judgment is given in his favour or in which he is acquitted, or incurred in connection with any application in which relief is granted to him by the court from liability in respect of any such act or omission.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

Equity-Linked Agreements

Details of the Share Option Scheme and mandatory convertible securities are set out in this report and notes 28 and 29 to the consolidated financial statements respectively.

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

Connected transactions

During the year ended 31 December 2015, the Group entered into the following transactions, which constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(a) On 5 January 2015, the Company entered into a share purchase agreement (the "**Share Purchase Agreement**") with China Merchants Shipping and Enterprises Company Limited ("**CMSE**"), pursuant to which the Company agreed to sell the share representing the entire issued share capital of Smart Ally Holdings Limited ("**SAH**") (a wholly-owned subsidiary of the Company holding 51% equity interest in each of China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (together "**CMAC**")) and to assign to CMSE all the shareholder loan that it has advanced to SAH. The total consideration for the sale and purchase of the share and the assignment of the shareholder loan under the Share Purchase Agreement is HK$760,000,000. The Directors considered that CMAC's main business of providing cold-chain services no longer complements the core business of the Group (which includes ports and ports-related business). The disposal of the Group's interest in CMAC is aligned with the Group's well-practised strategy of divesting its non-core businesses identified from time to time. The Directors believed that the transaction would benefit the Company by allowing the management and the Directors to focus the resources of the Group on its ports and port-related business. CMSE is a wholly-owned subsidiary of China Merchants Group Limited ("**CMG**"), the ultimate holding company of the Company. Accordingly, CMSE is a connected person of the Company and the transactions contemplated under the Share Purchase Agreement constitutes a connected transaction of the Company.

(b) On 25 September 2015, the Company entered into a share purchase agreement (the "**Share Purchase Agreement (USI)**") with China Merchants Holdings (Hong Kong) Limited ("**CMHK**"), pursuant to which the Company agreed to sell the shares representing the entire issued share capital of Universal Sheen Investment Limited ("**Universal Sheen**"), a wholly-owned subsidiary of the Company, and to assign to CMHK all the shareholder loan that it has advanced to Universal Sheen. The total consideration for the sale and purchase of the shares and the assignment of the shareholder loan under the Share Purchase Agreement (USI) is HK$1,426,092,609. The Directors were of the view that since the assets of Universal Sheen comprised only the properties located on 37th, 39th and 40th Floor, China Merchants Tower, Shun Tak Centre, Hong Kong which have been leased to CMHK (a wholly-owned subsidiary of CMG) for its use, the disposal of Universal Sheen would enable the Company to realise the value of such properties and to apply the proceeds for the further development of the business of the Group. The disposal of Universal Sheen will also reduce the number of continuing connected transactions of the Company and therefore reduce administrative burden of the Company on monitoring connected transactions. As CMHK is the intermediate holding company of the Company, it is therefore a connected person of the Company and the sale and purchase of the shares and the assignment of the shareholder loan as contemplated under the Share Purchase Agreement (USI) constitute connected transactions of the Company under the Listing Rules.

(c) On 25 September 2015, Park Base Investments Limited ("**Park Base**"), a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "**Share Purchase Agreement (Jinyu)**") with Shenzhen China Merchants Commercial Property Investment Company Limited ("**SCMPI**"), Shenzhen China Merchants Wealth Management Services Company Limited ("**SCMWM**") and Shenzhen Jinyu Rongtai Investment Development Company Limited ("**Shenzhen Jinyu**"), pursuant to which Park Base agreed to acquire 100% equity interest in Shenzhen Jinyu from SCMPI and SCMWM. The total consideration for the acquisition under the Share Purchase Agreement (Jinyu) is RMB2,046,789,200 (equivalent to approximately HK$2,595,472,000). The Directors were of the view that since Shenzhen Jinyu is the project company for the development of an industrial building situated in the Qianhai Special Economic Zone, which is expected to create significant growth opportunities in the area, the acquisition of Shenzhen Jinyu will enable the Company to secure prime office space to compliment its business expansion in such area and will enhance business efficiencies. As each of SCMPI and SCMWM is an indirect subsidiary of CMG, the ultimate holding company of the Company, each of them is therefore a connected person of the Company and the transactions contemplated under the Share Purchase Agreement (Jinyu) constitute connected transactions of the Company under the Listing Rules.

(d) Details of the continuing connected transactions of the Group for the year ended 31 December 2015 that are subject to the reporting and annual review requirements under the Listing Rules are set out below:

Name of party	Nature of transaction	Note	HK$' million
China Merchants Shekou Industrial Zone Property Company Limited ("**CMSIZ1**")	Rental of a piece of land in Shekou charged to the Group	(i)	(7.7)*
China Merchants Shekou Industral Zone Company Limited ("**CMSIZ**")	Rental of 17 parcels of land in Shekou and certain property assets charged to the Group	(ii)	(27.7)*
CMSIZ	Rental of certain property assets charged to the Group	(iii)	(8.7)*
Euroasia Dockyard Enterprise and Development Limited ("**Euroasia**")	Rental of a piece of land at Tsing Yi Terminal charged to the Group	(iv)	(13.1)
China Merchants Logistics Holding Fujian Co. Ltd. ("**CMLHF**")	Rental of two warehouses and a depot in the Zhangzhou Economic Development Zone charged to the Group	(v)	(5.2)*
CMHK	Rental of certain properties in Hong Kong charged by the Group	(vi)	35.6
Yiu Lian Dockyard Limited ("**Yiu Lian**")	Provisions of ship berthing services for bringing ships into and from the Tsing Yi terminal charged to the Group	(vii)	(11.6)

* The transactions and respective annual caps are denominated in RMB and are converted to HK$ using the exchange rates prevailing on the dates of the transactions and the dates of the announcements on which the annual caps were disclosed, respectively.

Notes:

(i) On 20 May 1989, Shekou Container Terminals Limited ("**SCT1**") entered into a lease agreement with CMSIZ1 for a term of 30 years to lease a piece of land in Shekou. The total annual rental payable for the year ended 31 December 2015 was HK$7,724,780. On 18 December 2015, the Directors resolved to raise the annual cap in respect of the lease to HK$8,320,000 for the year ending 31 December 2016. The land leased under the lease agreement is crucial to the operation of SCT1 as all its port facilities and equipment are currently affixed to it. SCT1 is an indirect 80%-owned subsidiary of the Company. CMSIZ1 is an indirect wholly-owned subsidiary of CMG and is therefore a connected person of the Company.

(ii) China Merchants Port Services (Shenzhen) Company Limited ("**SCMPS**") and CMSIZ entered into a lease agreement on 23 December 2013 to continue to lease in aggregate 17 parcels of land in Shekou Industrial Park for a term of two years commencing on 1 January 2014. The total rental payable by SCMPS to CMSIZ under the lease agreements for the year ended 31 December 2015 was approximately RMB22,500,000 (equivalent to approximately HK$27,700,000). On 18 December 2015, in view of the expiry of the lease agreement on 31 December 2015, SCMPS entered into a new lease agreement with CMSIZ to renew the lease of 16 of the original 17 parcels of land. The new lease agreement has a term of 18 months commencing on 1 January 2016 and ending on 30 June 2017. The maximum annual rental payable by SCMPS to CMSIZ under the new lease agreement is approximately RMB22,300,000 (equivalent to approximately HK$28,200,000) for each of the year ending 31 December 2016. The Directors are of the view that the transactions contemplated under the lease agreement are in line with the Group's strategy to expand in port and port-related business. CMSIZ is an indirect wholly-owned subsidiary of CMG. Accordingly, CMSIZ is a connected person of the Company.

(iii) SCMPS and CMSIZ entered into a lease agreement on 23 December 2013 to continue to lease certain property assets from CMSIZ for a term of two years commencing on 1 January 2014. The total rental payable by SCMPS to CMSIZ under the lease agreements for the year ended 31 December 2015 was approximately RMB7,000,000 (equivalent to approximately HK$8,700,000). On 18 December 2015, in view of the expiry of the lease agreement on 31 December 2015, SCMPS entered into a new lease agreement with CMSIZ to renew the lease. The new lease agreement has a term of two years commencing on 1 January 2016 and ending on 31 December 2017. The maximum annual total rental payable by SCMPS to CMSIZ under the new lease agreement shall not exceed RMB20,000,000 (equivalent to approximately HK$25,300,000) for each of the years ending 31 December 2016 and 2017. The Directors are of the view that the transactions contemplated under the lease agreement are in line with the Group's strategy to expand in port and port-related business. CMSIZ is an indirect wholly-owned subsidiary of CMG. Accordingly, CMSIZ is a connected person of the Company.

(iv) China Merchants Container Services Limited ("**CMCS**"), an indirect wholly-owned subsidiary of the Company and Euroasia entered into a cooperation agreement on 23 December 2013 to renew the lease of the piece of land in Tsing Yi for a term of two years commencing on 1 January 2014. On 16 December 2014, the Directors resolved to raise the annual cap in respect of the cooperation agreement to HK$13,100,000 for the year ended 31 December 2015. The annual rental paid by CMCS to Euroasia under the cooperation agreement for the year ended 31 December 2015 is HK$13,050,312. On 18 December 2015, in view of the expiry of the cooperation agreement on 31 December 2015, CMCS and Euroasia entered into a new cooperation agreement to renew the lease of the piece of land in Tsing Yi. The cooperation agreement has a term of two years commencing on 1 January 2016 and ending on 31 December 2017. The annual rental payable by CMCS to Euroasia under the new cooperation agreement is HK$14,922,732 for each of the years ending 31 December 2016 and 2017. In addition to rental, CMCS is also responsible for any additional government rates and land premium payable to the Government of Hong Kong in respect of the leased land. On 18 December 2015, the Directors resolved that the annual cap in respect of the rental to be paid by CMCS to Euroasia under the new cooperation agreement shall be HK$15,000,000. The Directors are of the view that the transaction contemplated under the cooperation agreement is in line with the Group's strategy to expand in port and port-related business. As Euroasia is an indirect wholly-owned subsidiary of CMG, it is a connected person of the Company.

(v) On 6 March 2013, ZCMP entered into a lease agreement with CMLHF pursuant to which CMLHF leased two warehouses with a total area of 25,000 square meters and a depot with a total area of 45,000 square meters in the Zhangzhou Economic Development Zone, Fujian Province, the PRC to ZCMP for a term of three years commencing on 1 March 2013. Under the lease agreement, the monthly rental payable for the warehouses is RMB15.45 per square meter for the twelve months ended 28 February 2015 and RMB15.91 per square meter for the twelve months ending 29 February 2016, whereas the monthly rental payable for the depot is RMB6.18 per square meter for the twelve months ended 28 February 2015 and RMB6.36 per square meter for the twelve months ending 29 February 2016. The aggregate amount of the rental payable under the lease agreement is RMB8,168,200 (equivalent to approximately HK$10,210,250) for the year ended 31 December 2015 and RMB1,367,900 (equivalent to approximately HK$1,709,875) for the two months ending 29 February 2016. A handling fee shall be payable by ZCMP under the lease agreement and the amount payable shall depend on the annual intake of goods of the warehouses and depot. In view of the expiry of the lease agreement on 29 February 2016, the relevant parties entered into a new lease agreement on 18 December 2015 to renew the lease of the two warehouses with a total area of 25,000 square meters for a term of one year commencing on 1 March 2016 and ending on 28 February 2017, after which the lease will be renewed for another one year unless one party serves a notice to the other to terminate the agreement. The rental payable by ZCMP to CMLHF under the new lease agreement will be RMB15.5 (equivalent to approximately HK$19.6) per month per square meters (representing a total of approximately RMB387,500 (equivalent to approximately HK$491,000) per month). The handling fee payable by ZCMP to CMLHF under the new lease agreement will be RMB0.5 to 0.8 per tonne. The total rental and the handling fee payable for the year ending 31 December 2016 are expected to be RMB4,670,000 (equivalent to approximately HK$5,911,000) and no more than RMB165,000 (equivalent to approximately HK$209,000), respectively. The transaction contemplated under the lease agreement constitutes a de minimis continuing connected transaction pursuant to Rule 14A.76 (1) of the Listing Rules. The Directors are of the view that the leasing of the warehouses and depot under the lease agreement will facilitate the expansion of the business of the Company and the smooth business operation of the Group's port and port-related business. CMLHF is an indirect subsidiary of CMG and hence a connected person of the Company.

(vi) Universal Sheen, a previously wholly-owned subsidiary of the Company, agreed on 23 December 2013 to renew the transactions contemplated under certain expired tenancy agreements by entering into three tenancy renewal agreements with CMHK. Under the tenancy renewal agreements, Universal Sheen agreed to continue the leases of certain office space for a term of three years commencing on 1 February 2014. Under the new tenancy agreements, the monthly rentals for the three properties are HK$2,367,528, HK$1,188,410 and HK$266,386, respectively, representing a monthly rental of HK$46 per square feet for each of the properties and an aggregate amount of rental receivable of HK$45,867,888 for each of the year ended 31 December 2015 and the year ending 31 December 2016 and HK$3,822,324 for the one month ending 31 January 2017. CMHK is a wholly-owned subsidiary of CMG and is therefore a connected person of the Company. As described in paragraph (b) of this section, Universal Sheen is no longer a subsidiary of the Company.

(vii) On 16 December 2014, CMCS and Yiu Lian entered into a ship berthing services agreement, pursuant to which Yiu Lian agreed to provide barges for bringing ships into and from the Tsing Yi Terminal for the year ended 31 December 2015 at a rate of HK$3,150 per barge, and CMCS shall be responsible for the payment of fuel oil surcharge of HK$300 per barge for each time the barge has brought ships into and from the Tsing Yi terminal. The aggregate ship berthing fees paid by CMCS to Yiu Lian under the ship berthing services agreement for the year ended 31 December 2015 was HK$11,599,515. On 18 December 2015, in view of the expiry of the ship berthing services agreement, CMCS and Yiu Lian entered into a new ship berthing services agreement for the year ending 31 December 2016, pursuant to which Yiu Lian agreed to continue to provide barges at a rate of HK$3,050 per barge, and CMCS shall be responsible for the payment of fuel oil surcharge of HK$300 per barge for each time the barge has brought ships into and from the Tsing Yi terminal. The aggregate ship berthing fees payable by CMCS under the ship berthing services agreement for the year ending 31 December 2016 is estimated to be HK$12,000,000. The Directors are of the view that the provision of ship berthing services by Yiu Lian will enhance the efficiency of the business operation of the Company and the ship berthing rate is at a relatively lower fee as compared to market fee, which is beneficial to the Group as it will result in cost savings. Yiu Lian is an indirect wholly-owned subsidiary of CMG and hence is a connected person of the Company.

(e) The Independent Non-executive Directors have reviewed the continuing connected transactions set out in paragraph (d) of this section above. In their opinion, these transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-executive Directors further opined that:

(i) in respect of the lease by CMSIZ1 to SCT1, details of which are set out in note (i) to paragraph (d) of this section, the aggregate rental has not exceeded HK$7,841,000, the annual cap for the year ended 31 December 2015;

(ii) in respect of the lease by CMSIZ to SCMPS of 17 parcels of land in Shekou, details of which are set out in note (ii) to paragraph (d) of this section, the aggregate rental has not exceeded RMB26,363,740, the annual cap for the year ended 31 December 2015;

(iii) in respect of the lease by CMSIZ to SCMPS of certain property assets, details of which are set out in note (iii) to paragraph (d) of this section, the aggregate rental has not exceeded RMB20,000,000, the annual cap for the year ended 31 December 2015;

(iv) in respect of the lease by Euroasia to CMCS of a piece of land at Tsing Yi Terminal, details of which are set out in note (iv) to paragraph (d) of this section, the aggregate rental has not exceeded HK$13,100,000, the annual cap for the year ended 31 December 2015;

(v) in respect of the lease by CMLHF to ZCMP of two warehouses and a depot in the Zhangzhou Economic Development Zone, details of which are set out in note (v) to paragraph (d) of this section, the aggregate rental has not exceeded RMB7,933,500, the annual cap for the year ended 31 December 2015;

(vi) the lease agreements set out in notes (i) to (v) to paragraph (d) of this section, are of a similar nature or otherwise connected, and thus will need to be aggregated as if there were one transaction. In addition, members of the Group and other associates of the CMG Group have also entered into other lease agreements and management agreements requiring the payment of rental or management service fees by members of the Group to the corresponding associates of the CMG Group which individually are de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. However, given these are also of a similar nature or otherwise connected among themselves or with the lease agreements set out in notes (i) to (v) to paragraph (d) of this section, these will also need to be aggregated as if they were one transaction. The aggregate rental and management service fees paid by the Group under these lease agreements and management agreements has not exceeded RMB120,870,000, the aggregate annual cap for the year ended 31 December 2015;

(vii) in respect of the lease by Universal Sheen to CMHK of certain properties in Hong Kong, details of which are set out in note (vi) to paragraph (d) of this section, the aggregate rental received for the year ended 31 December 2015 based on the tenancy renewal agreements has not exceeded the annual cap of HK$42,671,256;

(viii) members of the Group and other associates of the CMG Group have also entered into other lease agreements requiring the payment of rental by associated of the CMG Group to members of the Group which individually are de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. However, given these are also of a similar nature or otherwise connected among themselves or with the lease agreement set out in note (vi) to paragraph (d) of this section, these will also need to be aggregated as if they were one transaction. The aggregate rental received by the Group under these lease agreements has not exceeded HK$53,000,000, the aggregate annual cap for the year ended 31 December 2015; and

(ix) in respect of the provision of ship berthing services by Yiu Lian to CMCS, details of which are set out in note (vii) to paragraph (d) of this section, the aggregate service fee paid for the year ended 31 December 2015 based on the ship berthing services agreement has not exceeded the annual cap of HK$12,000,000.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 56 to 60 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company had been entered into or existed during the year.

Major customers and suppliers

The aggregate amount of sales and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total sales and purchases in 2015, respectively. The Group has strived to maintain a good relationship with its major customers and suppliers.

At no time during the year had the Directors, their close associates or any shareholder (whom to the knowledge of the Directors own(s) more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

Employees

The Group's key relationships with its employees are set out in the Management Discussion and Analysis on pages 12 to 27 of this Annual Report.

Public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Auditor

At the annual general meeting of the Company held on 31 May 2012, Messrs. PricewaterhouseCoopers retired as the auditor of the Company and Deloitte Touche Tohmatsu was appointed as the new auditor of the Company.

The financial statements have been audited by Deloitte Touche Tohmatsu who would retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Li Xiaopeng
Chairman
Hong Kong, 31 March 2016

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED
招商局國際有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Merchants Holdings (International) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 169, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	2015 HK$'million	2014 HK$'million
Revenue	5	**8,233**	8,257
Cost of sales		**(4,602)**	(4,737)
Gross profit		**3,631**	3,520
Other gains/(losses), net	8	**137**	(110)
Other income	8	**202**	198
Administrative expenses		**(989)**	(1,017)
Operating profit		**2,981**	2,591
Finance income	12	**158**	164
Finance costs	12	**(858)**	(1,023)
Finance costs, net	12	**(700)**	(859)
Share of profits less losses of			
Associates		**3,890**	4,105
Joint ventures		**144**	332
		4,034	4,437
Profit before taxation		**6,315**	6,169
Taxation	13	**(790)**	(1,151)
Profit for the year	7	**5,525**	5,018
Attributable to:			
Equity holders of the Company		**4,808**	4,526
Non-controlling interests		**717**	492
Profit for the year		**5,525**	5,018
Dividends	14	**1,998**	1,971
Earnings per share for profit attributable to equity holders of the Company	15		
Basic (HK cents)		**155.07**	159.41
Diluted (HK cents)		**154.91**	159.28

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK$'million	2014 HK$'million
Profit for the year		**5,525**	5,018
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		**(3,522)**	(1,066)
Release of reserves upon disposal of a subsidiary	37	**(35)**	—
Increase in fair value of available-for-sale financial assets, net of deferred taxation		**1,522**	1,371
Share of investment revaluation reserve of associates		**(72)**	180
Items that will not be reclassified subsequently to profit or loss:			
Share of other reserves of associates and a joint venture		**223**	96
Share of net actuarial loss on defined benefit plans of associates		**(38)**	(29)
Total other comprehensive (expense)/income for the year, net of tax		**(1,922)**	552
Total comprehensive income for the year		**3,603**	5,570
Total comprehensive income attributable to:			
Equity holders of the Company		**3,324**	5,272
Non-controlling interests		**279**	298
		3,603	5,570

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 HK$'million	2014 HK$'million
ASSETS			
Non-current assets			
Goodwill	16	**2,973**	3,167
Intangible assets	16	**5,660**	5,650
Property, plant and equipment	17	**19,570**	19,982
Investment properties	18	**287**	1,757
Land use rights	19	**7,545**	7,938
Interests in associates	21	**37,953**	37,731
Interests in joint ventures	22	**9,041**	6,408
Other financial assets	23	**5,883**	4,215
Other non-current assets	24	**1,110**	1,645
Deferred tax assets	34	**41**	58
		90,063	88,551
Current assets			
Inventories	25	**77**	108
Other financial assets	23	—	580
Debtors, deposits and prepayments	26	**1,916**	3,693
Taxation recoverable		—	3
Cash and bank balances	27	**10,293**	9,501
		12,286	13,885
Total assets		**102,349**	102,436

	Note	2015 HK$'million	2014 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	28	**18,994**	17,918
Mandatory convertible securities	29	**15,224**	15,280
Reserves		**33,181**	32,821
Proposed dividend	14	**1,429**	1,411
		68,828	67,430
Non-controlling interests		**7,821**	7,716
Total equity		**76,649**	75,146
LIABILITIES			
Non-current liabilities			
Loans from shareholders	31	**664**	1,065
Other financial liabilities	32	**16,681**	12,231
Other non-current liabilities	33	**1,234**	1,421
Deferred tax liabilities	34	**2,333**	2,208
		20,912	16,925
Current liabilities			
Creditors and accruals	35	**2,582**	3,094
Loans from shareholders	31	**311**	1,318
Other financial liabilities	32	**1,489**	5,357
Taxation payable		**406**	596
		4,788	10,365
Total liabilities		**25,700**	27,290
Total equity and liabilities		**102,349**	102,436
Net current assets		**7,498**	3,520
Total assets less current liabilities		**97,561**	92,071

The consolidated financial statements on pages 66 to 169 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Mr. Li Xiaopeng

DIRECTOR

Mr. Bai Jingtao

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital HK$'million	Mandatory convertible securities HK$'million	Other reserves HK$'million (note 30)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2015		17,918	15,280	9,373	24,859	67,430	7,716	75,146
COMPREHENSIVE INCOME								
Profit for the year		–	–	–	4,808	4,808	717	5,525
Other comprehensive income/(expense)								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		–	–	(3,083)	–	(3,083)	(439)	(3,522)
Increase in fair value of available-for-sale financial assets, net of deferred taxation		–	–	1,521	–	1,521	1	1,522
Release of reserves upon disposal of a subsidiary		–	–	(35)	–	(35)	–	(35)
Share of reserves of associates		–	–	151	–	151	–	151
Share of net actuarial loss on defined benefit plans of associates		–	–	–	(38)	(38)	–	(38)
Total other comprehensive expense for the year, net of tax		–	–	(1,446)	(38)	(1,484)	(438)	(1,922)
Total comprehensive (expense)/income for the year		–	–	(1,446)	4,770	3,324	279	3,603
Balance carried forward		17,918	15,280	7,927	29,629	70,754	7,995	78,749

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital HK$'million	Mandatory convertible securities HK$'million	Other reserves HK$'million (note 30)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
Balance brought forward		17,918	15,280	7,927	29,629	70,754	7,995	78,749
TRANSACTIONS WITH OWNERS								
Issue of shares on exercise of share options, net of share issue expenses	28(b)	172	—	—	—	172	—	172
Issue of shares in lieu of dividends	28(c)	820	—	—	—	820	—	820
Issue of shares upon conversion of mandatory convertible securities	28(d)	56	(56)	—	—	—	—	—
Transfer upon exercise of share options		28	—	(28)	—	—	—	—
Transfer to reserves		—	—	154	(154)	—	—	—
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	—	(38)	(38)
Disposal of subsidiaries	37	—	—	—	—	—	(221)	(221)
Disposal of interests in subsidiaries to a non-controlling equity holder without losing control therein	20(c)	—	—	132	—	132	444	576
Acquisition of a subsidiary	38	—	—	—	—	—	66	66
Capital contribution to a subsidiary		—	—	—	—	—	67	67
Dividends		—	—	—	(1,983)	(1,983)	(492)	(2,475)
Distribution to mandatory convertible securities holders	29	—	—	—	(1,067)	(1,067)	—	(1,067)
Total transactions with owners for the year		1,076	(56)	258	(3,204)	(1,926)	(174)	(2,100)
As at 31 December 2015		18,994	15,224	8,185	26,425	68,828	7,821	76,649

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total
		Share capital HK$'million	Mandatory convertible securities HK$'million	Share premium HK$'million	Other reserves HK$'million (note 30)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2014		253	—	16,713	8,316	23,317	48,599	7,827	56,426
COMPREHENSIVE INCOME									
Profit for the year		—	—	—	—	4,526	4,526	492	5,018
Other comprehensive income/(expense)									
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	—	—	(871)	—	(871)	(195)	(1,066)
Increase in fair value of available-for-sale financial assets, net of deferred taxation		—	—	—	1,370	—	1,370	1	1,371
Share of reserves of associates		—	—	—	276	—	276	—	276
Share of net actuarial loss on defined benefit plans of associates		—	—	—	—	(29)	(29)	—	(29)
Total other comprehensive income/ (expense) for the year, net of tax		—	—	—	775	(29)	746	(194)	552
Total comprehensive income for the year		—	—	—	775	4,497	5,272	298	5,570
Balance carried forward		253	—	16,713	9,091	27,814	53,871	8,125	61,996

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total
		Share capital HK$'million	Mandatory convertible securities HK$'million	Share premium HK$'million	Other reserves HK$'million (note 30)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
Balance brought forward		253	—	16,713	9,091	27,814	53,871	8,125	61,996
TRANSACTIONS WITH OWNERS									
Issue of shares on exercise of share options, net of share issue expenses	28(b)	33	—	7	—	—	40	—	40
Issue of mandatory convertible securities, net of issue expenses		—	15,287	—	—	—	15,287	—	15,287
Issue of shares in lieu of dividends	28(c)	793	—	—	—	—	793	—	793
Issue of shares upon conversion of mandatory convertible securities	28(d)	7	(7)	—	—	—	—	—	—
Transfer to reserves		—	—	—	396	(396)	—	—	—
Transfer from share premium upon abolition of par value	28(a)	16,720	—	(16,720)	—	—	—	—	—
Transfer upon lapse of share options		112	—	—	(114)	2	—	—	—
Capital contribution to a subsidiary		—	—	—	—	—	—	94	94
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	—	—	(51)	(51)
Dividends		—	—	—	—	(1,950)	(1,950)	(452)	(2,402)
Distribution to mandatory convertible securities holders	29	—	—	—	—	(611)	(611)	—	(611)
Total transactions with owners for the year		17,665	15,280	(16,713)	282	(2,955)	13,559	(409)	13,150
As at 31 December 2014		17,918	15,280	—	9,373	24,859	67,430	7,716	75,146

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$'million	2014 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	36	**4,219**	3,852
Hong Kong Profits Tax refund/(paid)		**2**	(7)
PRC corporate income tax paid		**(429)**	(447)
Withholding tax paid on dividends received		**(312)**	(111)
Dividends received from associates and joint ventures		**3,204**	1,422
Net cash generated from operating activities		**6,684**	4,709
Cash flows used in investing activities			
Proceeds from disposal of subsidiaries, net of cash and bank balances disposed of	37	**2,163**	—
Repayment from/(loans to) associates		**250**	(436)
Repayment from/(loan to) a joint venture		**247**	(252)
Interest income received		**244**	71
Proceeds from disposal of land use rights and property, plant and equipment		**258**	350
Proceeds from disposal of an associate		**140**	—
Acquisition of a subsidiary	38	**46**	—
Investments in associates and joint ventures		**(3,016)**	(607)
Purchase of property, plant and equipment, land use rights and port operating rights		**(1,696)**	(3,165)
Deposit paid for acquisition of a subsidiary		**(617)**	—
Acquisition of available-for-sale financial assets		**(2)**	(157)
Acquisition of other financial assets		**—**	(314)
Maturity of other financial assets		**—**	314
Net cash used in investing activities		**(1,983)**	(4,196)
Net cash inflow before financing activities carried forward		**4,701**	513

	2015 HK$'million	2014 HK$'million
Net cash inflow before financing activities brought forward	**4,701**	513
Cash flows from financing activities		
Net proceeds from exercise of share options	**172**	40
Proceeds from bank loans	**4,884**	7,143
Net proceeds on issue of notes payable	**6,030**	502
Loans from non-controlling equity holders	**42**	104
Loans from shareholders	**519**	620
Capital contributions from non-controlling equity holders of a subsidiary	**67**	94
Proceed from partial disposal of a subsidiary	**15**	—
Purchase of additional interest in a subsidiary	**(9)**	(8)
Net proceeds on issue of mandatory convertible securities	—	15,287
Receipt in advance for disposal of partial interest of a subsidiary	—	560
Dividends paid to ordinary shareholders	**(1,163)**	(1,157)
Dividends paid to non-controlling equity holders of subsidiaries	**(659)**	(445)
Distribution to mandatory convertible securities holders	**(1,067)**	(611)
Interests paid	**(858)**	(1,202)
Repayment of bank loans	**(5,063)**	(6,161)
Repayment of notes payable	**(4,986)**	(629)
Repayment of loans from shareholders	**(1,668)**	(8,276)
Repayment of capital contribution to non-controlling equity holder	**(38)**	(51)
Net cash (used in)/generated from financing activities	**(3,782)**	5,810
Increase in cash and cash equivalents	**919**	6,323
Cash and cash equivalents at 1 January	**9,501**	3,205
Effect of foreign exchange rate changes	**(127)**	(27)
Cash and cash equivalents at 31 December, represented by cash and bank balances	**10,293**	9,501

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

China Merchants Holdings (International) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in ports operation, bonded logistics operation and property investment.

The Company is a limited liability company incorporated in Hong Kong and has its shares listed on The Stock Exchange of Hong Kong Limited (the "HKSE"). As at 31 December 2015, China Merchants Group Limited ("CMG"), directly and indirectly, including through China Merchants Union (BVI) Limited ("CMU"), a company incorporated in British Virgin Islands held as to 50% by CMG, held an effective interest of 43.93% of the issued share capital of the Company. Pursuant to an entrustment agreement entered into between CMG and CMU, CMG has the power to direct the voting right over the approximately 22% of the total issued share capital of the Company held by CMU. CMG, directly and indirectly, including through CMU, has the power to direct voting right over approximately 54.95% of the total issued share capital of the Company. Accordingly, the Directors regard CMG, a state-owned enterprise registered in the People's Republic of China ("PRC"), as being the ultimate holding company. CMG is regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council, the PRC government.

The address of the Company's registered office is 38/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied below are the same as the accounting policies of the Group's reportable segments. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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") and the Hong Kong Companies Ordinance ("HKCO"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new HKCO and to be consistent with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of consolidated 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) Amendments to existing standards effective in the current year but not relevant to the Group

• Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
• Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards which have been issued but are not yet effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group

		Effective for annual periods beginning on or after (Note (a))
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to HKAS 1	Disclosure Initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to HKAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note (b)
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle	1 January 2016

Notes:

(a) Early application permitted for these new standard or amendments to existing standards

(b) Effective for annual periods beginning on or after a date to be determined

The Group is assessing the impact of these new standards and amendments. The Group will apply these new standards and amendments when respective annual periods are effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards which have been issued but are not yet effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in the consolidated statement of profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards which have been issued but are not yet effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersedes the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(ii) New standards and amendments to existing standards which have been issued but are not yet effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company consider that it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- When the intangible asset is expressed as a measure of revenue; or
- When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for all of its property, plant and equipment. For intangible assets, both the straight-line method and economic-usage method are applied for amortisation of intangible assets that best reflect the consumption of the economic benefits inherent in the respective intangible assets. The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact of the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at 31 December.

(i) Subsidiaries

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect the returns of the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it the power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

(a) Business combinations

The Group applies the acquisition method of account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed are initially recognised at their fair values, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see note 2.21 below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

(a) Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held interest in the acquiree is remeasured to fair value at the latest acquisition date in the consolidated statement of profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of profit or loss after reassessment of all identifiable assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

(b) Changes in ownership interests in existing subsidiaries without change of control

Transactions with non-controlling interests that do not result in change of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid/received and the relevant share of the carrying value of net assets of the subsidiary acquired/disposed is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

(ii) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating party has unilateral control over the economic activity.

The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. For associates and joint ventures using accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments have been made to conform the accounting policies of the associates or the joint ventures to those of the Group. Under the equity method, the investment is initially recognised at cost from the date on which the investee becomes an associate or a joint venture, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's interests in associates and joint ventures include goodwill identified on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(ii) Associates and joint ventures (Continued)

The Group's share of profits or losses of associates and joint ventures is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in that associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value pursuant to the requirements of HKAS 39 with respect to the Group's investment in the associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment and recognises the amount in the consolidated statement of profit or loss. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retain an interest of the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to the consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(ii) Associates and joint ventures (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

If the ownership interest in an associate or a joint venture is reduced but the Group continues to use the equity method, the difference between the carrying amount of the underlying assets and liabilities attributable to the interests disposed of and the consideration received, if any, is credited or charged to the profit or loss as gain/loss on disposal of interest in associates and/or joint ventures. In addition, the proportionate share of the amounts relating to that reduction in ownership interest previously recognised in other comprehensive income is reclassified to profit or loss if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company that makes strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of profit or loss, except for exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets and are regarded as an adjustment to interest costs on those foreign currency borrowings.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains/(losses), net".

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale investments, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the year end exchange rate;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year end exchange rate. Exchange differences arising therefrom are recognised in other comprehensive income.

(iv) Disposal and partial disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated statement of profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, harbour works, buildings and dockyard, plant and machinery, furniture and equipment, vessels and ship, motor vehicles and leasehold improvements. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of other assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 50 years or useful life
Buildings	Shorter of the lease term or 50 years
Harbour works, buildings and dockyard	8 to 50 years
Plant and machinery	3 to 20 years
Furniture and equipment	3 to 20 years
Vessels and ships	15 to 25 years
Motor vehicles	5 to 10 years
Leasehold improvements	Shorter of the lease term or 5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

No depreciation is provided on assets under construction. All direct costs relating to the construction of property, plant and equipment including interests and finance costs and foreign exchange differences on interests of the related borrowed funds during the construction period are capitalised as the cost of the property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in equity. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in the consolidated statement of profit or loss as part of a valuation gain or loss in "other gains/(losses), net".

An investment property is transferred to property, plant and equipment at the fair value when there is a change of use, as evidenced by commencement of owner-occupation of the relevant properties.

2.7 Goodwill and intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill and intangible assets (Continued)

(ii) Port operating rights

Port operating right primarily resulted from the entering of agreement for the right to construct, operate, manage and develop container terminals. Operating right is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using an economic usage basis which based on the ratio of minimum guaranteed output volume compared to the total minimum guaranteed output volume over the periods which the Group is granted the operating rights on the relevant container terminals. When the pattern of consumption of future economic benefits of the asset cannot be determined reliably, the straight-line method over the period in which the Group operates the relevant terminals is used.

Other intangible assets acquired are recognised at fair value at the acquisition date, have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over the expected life of other intangible assets of 5 to 50 years.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. Intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss in the period when the asset is derecognised.

2.8 Impairment of non-financial assets

Tangible and intangible assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered from an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those expected to be realised more than 12 months after the end of the reporting period, not intends or sell or consume in its normal operating cycle, or not primarily for trading purposes, and are classified as non-current assets. The Group's loans and receivables comprise debtors (included in "debtors, deposits and prepayments") and "cash and bank balances" in the consolidated statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless investment matures or management intends to dispose of within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Equity securities held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated in equity under the heading of "investments revaluation reserve".

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in entity under the heading of "investment revaluation reserve" are included in the consolidated statement of profit or loss as "other gains/(losses), net".

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of "other income" when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (a) adverse changes in the payment status of borrowers in the portfolio; or
  - (b) national or local economic conditions that correlate with defaults on the assets in the portfolio; or
- any other objective evidence that indicate an impairment of the financial asset may exist.

For loans and receivables category, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of loss is recognised in the consolidated statement of profit or loss. If a loan investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

For trade receivables (included as loans and receivables category), assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss - is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection from debtors are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within other financial liabilities in current liabilities.

2.14 Share capital and mandatory convertible securities ("MCS")

Ordinary shares and MCS are classified as equity. Incremental costs directly attributable to the issue of new shares, options or MCS are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), is held primarily for trading, or the Group has no unconditional right to defer the settlement for at least 12 months after the end of the reporting period. If not, they are presented as non-current liabilities.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Other financial liabilities

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss using effective interest method over the period of such other financial liabilities.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the economic benefits embodied in the properties will be recovered).

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes to defined contribution provident funds, including the scheme set up under the Hong Kong Mandatory Provident Fund Ordinance ("MPF Scheme"), which are available to all employees in Hong Kong. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a specified maximum amount ("mandatory contribution") and employees can choose to make additional contributions. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement age of 65 years old, death or total incapacity. For the schemes other than the MPF Scheme, the unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions.

(ii) Other post-employment obligations

The Group also participates in the employee retirement benefits plan of the respective governments in various jurisdiction where the Group operates. The Group is required to make monthly contributions calculated as a percentage of the monthly payroll costs and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

The Group's contributions to the schemes are expensed as incurred.

(iii) Termination obligations

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and requiring an employee working in the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and services conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised on a straight-line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Provision of services

Revenue from ports service, transportation income, container service and container yard management income and logistics services income are recognised when the relevant services are rendered.

(ii) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

(iii) Rental income

Rental income from investment property is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

2.23 Interest income

Interest income from a financial asset is recognised on a time-proportion basis using effective interest method when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.24 Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

(i) The Group as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ii) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are authorised by the Company's equity holders.

Dividends proposed before the consolidated financial statements were authorised for issue but not yet authorised by the Company's equity holders during the period is presented separately as proposed dividend under equity.

2.27 Distribution for MCS

Distribution to the Company's MCS holders is recognised as a liability in the Group's consolidated financial statements in the period in which the distributions are authorised by the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group under policies approved by the Directors of the Company.

(i) Market risk

(a) Foreign exchange risk

Majority of the subsidiaries of the Company operate in Mainland China and most of their transactions are denominated in Renminbi, Hong Kong dollar or United States dollar. The Group is exposed to foreign exchange risk primarily through sales and purchases, capital expenditure and expenses transactions that are denominated in currencies other than the functional currency of the subsidiaries.

The Group considers its foreign currency exposure is mainly arising from the exposure of Hong Kong dollar against Renminbi, United States dollar and Euro.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using forward exchange contracts to hedge foreign exchange risk arising from sales and purchase, capital expenditure and expenses transactions.

The Group also regularly monitors its portfolio of local and international customers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

71% (2014: 63%) of the Group's borrowings (including loans from shareholders) as at 31 December 2015 are denominated in Hong Kong dollar and United States dollar, 16% (2014: 26%) are denominated in Renminbi and 13% (2014: 11%) are denominated in Euro. Majority of the Group's operating subsidiaries draw loans in their functional currencies to finance their funding requirements and no significant foreign exchange risk is expected to arise from these borrowings. The Group also utilised its United States dollar denominated listed notes payable to finance its capital investments and working capital.

At 31 December 2015, if Renminbi had strengthened/weakened against the other currencies by 3% (2014: 1%) with all other variables held constant, profit for the year would have been approximately HK$146 million higher/lower (2014: HK$36 million higher/lower) mainly as a result of increase/decrease in net foreign exchange gains on translation of cash and cash equivalents, debtors, creditors and other financial liabilities denominated in non-functional currencies of the relevant group companies.

At 31 December 2015 and 2014, no significant change on profit for the respective years as a result of the 0.1% (2014: 0.1%) strengthened/weakened of United States dollar against Hong Kong dollar.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group that are classified on the consolidated statement of financial position as available-for-sale financial assets. At 31 December 2015, if there had been a 10% (2014: 10%) increase/decrease in the listed share prices with all other variables held constant, the Group's available-for-sale financial assets would have increased/decreased by approximately HK$588 million (2014: HK$422 million). Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale financial assets. The Group is not exposed to commodity price risks and has not entered into any derivatives to manage exposures of price risk.

The Group also held equity securities classified on the consolidated statement of financial position as financial assets at fair value through profit or loss ("FVTPL") as at 31 December 2014. If there had been a 10% increase/decreases in the security price with all other variables held constant, the financial assets at fair value through profit or loss would have increased/decreased by approximately HK$58 million as at 31 December 2014. Post-tax profit for the year ended 31 December 2014 would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss. The Group had no investment classified as FVTPL as at 31 December 2015.

(c) Fair value interest rate risk and cash flow interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. Financial assets and financial liabilities issued at variable rates expose the Group to cash flow interest rate risk whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the year.

Other than bank deposits as at 31 December 2015, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, management does not anticipate any significant impact resulting from changes in interest rates on interest-bearing assets.

At 31 December 2015, if interest rates on borrowings had been 100 basis points (2014: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been HK$56 million (2014: HK$62 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from debtors and deposits with banks and financial institutions.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Group's management on a group basis. The Group's trade debtors are mainly contributed by ports operation where their customers are mainly sizable and renowned international liners or market leaders in their industries with low credit risk. For other smaller customers, management assesses their credit quality by considering its financial position, past experience and other relevant factors. The utilisation of credit limits is regularly monitored. Debtors with overdue balances will be requested to settle their outstanding balance.

The Group believes that adequate provision for doubtful debts has been made in the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Group has policies that limit the amount of credit exposure to any financial institutions. The Group's bank deposits are all deposited in reputable banks or financial institutions. Management considers that the credit risk associated with the deposits with these banks and financial institutions is low.

(iii) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's and the Company's business. Currently, the Group and the Company finances the working capital requirements through a combination of funds generated from operations and borrowings.

The rolling forecasts of the Group's liquidity reserve comprise undrawn bank loan facilities (note 32(f)) and cash and bank balances (note 27) on the basis of expected cash flow. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year		Between 1 and 2 years		Between 2 and 5 years		More than 5 years		Total	
	2015 HK$'million	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million
Interest-bearing debts	**2,595**	7,438	**2,124**	2,462	**7,168**	5,668	**12,684**	8,324	**24,571**	23,892
Other financial liabilities	**2,425**	2,951	–	–	–	–	–	–	**2,425**	2,951
	5,020	10,389	**2,124**	2,462	**7,168**	5,668	**12,684**	8,324	**26,996**	26,843

Further, the Group's contingent liabilities arising from its interest in an associate is set out in note 39(e).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

The Group prepares a five-year rolling forecast on its capital requirement in anticipation of funding requirement of new capital investments, capital expenditures of existing projects and repayment of borrowings. In order to maintain or adjust the capital structure, the Group may raise additional short-term or long-term borrowings, issue new shares or sell assets of non-core operations to reduce debts.

The Group monitors capital with reference to, inter alia, the net gearing ratios. These ratios are calculated as net interest bearing debts divided by net assets attributable to the Company's equity holders and total equity.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

During the year, the Group's strategy was to maintain desired levels of net gearing ratios and based on which the Group's credit ratings had, inter alia, been upgraded to Baa1 by Moody's Asia Pacific Limited and reaffirmed at BBB+ by Standard and Poor's. The net gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 HK$'million	2014 HK$'million
Loans from shareholders (note 31)	**975**	2,383
Other interest-bearing financial liabilities (note 32)	**18,170**	17,588
Total interest-bearing debts	**19,145**	19,971
Less: cash and bank balances (note 27)	**(10,293)**	(9,501)
Net interest-bearing debts	**8,852**	10,470
Net gearing ratios:		
Net interest-bearing debts divided by equity attributable to the Company's equity holders	**12.9%**	15.5%
Net interest-bearing debts divided by total equity	**11.5%**	13.9%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

The following tables present the Group's assets that are measured at fair value at 31 December 2015 and 2014:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
As at 31 December 2015				
Financial assets				
Available-for-sale financial assets				
– listed equity investments	**5,298**	—	—	**5,298**
– unlisted equity investments	—	—	**585**	**585**
	5,298	—	**585**	**5,883**
As at 31 December 2014				
Financial assets				
Financial asset at fair value through profit or loss	—	—	580	580
Available-for-sale financial assets				
– listed equity investments	3,548	—	—	3,548
– unlisted equity investments	—	—	667	667
	3,548	—	1,247	4,795

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

Set out below is the information about how the fair values of the above financial instruments are determined, including the valuation techniques and inputs used:

The fair value of the freely traded listed equity instruments that are accounted for as available-for-sale financial assets is valued based on the quoted prices in active markets for the identical assets directly.

The fair value of the unlisted equity instruments of a listed entity that are accounted for as available-for-sale financial asset is valued based on the quoted price of the same listed entity in active market and adjusted for the factor of discount for lack of marketability.

The fair value of other unlisted equity instruments that are accounted for as available-for-sale financial assets is valued based on Guideline Publicly Traded Company (the "GPTC") method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. If any of the significant unobservable input above was 5% higher/lower while all the other variables were held constant, the changes in fair value of the unlisted equity instruments would not be significant to the Group.

Financial assets at fair value through profit or loss at 31 December 2014 represented preference shares issued by a privately held company incorporated in the United States. The valuation methodologies adopted was also the GPTC method whereas the key inputs to the valuation models included the market multiples, share prices, volatilities and dividend yields of similar companies that were traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries and an expected time for the issuer to complete an initial public offering. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the financial assets at fair value through profit or loss would not be significant to the Group.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014:

	Financial asset at fair value through profit or loss HK$'million	Available-for-sale financial assets HK$'million	Total HK$'million
Year ended 31 December 2015			
As at 1 January 2015	**580**	**667**	**1,247**
Exchange adjustments	—	**(20)**	**(20)**
Unrealised fair value loss recognised in other comprehensive income (included in other reserves)	—	**(62)**	**(62)**
Disposal of subsidiaries	**(580)**	—	**(580)**
As at 31 December 2015	—	**585**	**585**
Year ended 31 December 2014			
As at 1 January 2014	558	706	1,264
Exchange adjustments	—	(3)	(3)
Unrealised fair value loss recognised in other comprehensive income (included in other reserves)	—	(36)	(36)
Unrealised fair value gain recognised in consolidated statement of profit or loss (included in other gains/(losses), net)	22	—	22
As at 31 December 2014	580	667	1,247

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The fair values of the financial instruments included in the level 3 category have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the relevant entities of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests, at least annually, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Details of the impairment loss calculation are set out in note 16.

(ii) Estimated fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the consolidated statement of profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations.

(iii) Current and deferred income tax

The Group is subject to income tax in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations during the year whereas the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated amounts based on estimates of whether additional taxes will be payable by the Group. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see above), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Control over investees accounted for as subsidiaries

Certain entities are considered to be subsidiaries of the Company despite the interests therein are less than 50% of the issued share capital of the relevant entities. Based on the contractual power pursuant to the relevant shareholders' agreement between the Group and the other shareholders, the Group has voting rights in the respective investees sufficient to give it the practical ability to direct the relevant activities of each of these investees unilaterally, and hence has control over these investees. Further details are set out in note 41.

(ii) Deferred taxation on unremitted earnings

The Group fully provides for deferred tax liabilities in relation to the unremitted earnings from the subsidiaries, associates and joint ventures.

5. 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.

	2015 **HK$'million**	2014 HK$'million
Ports service, transportation income, container service and container yard management income	**7,789**	7,466
Logistics services income (including rental income)	**408**	747
Gross rental income from investment properties	**36**	44
	8,233	8,257

6. SEGMENT INFORMATION

The key management team of the Company is regarded as the 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 for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments 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.

Following the disposal of Smart Ally Holdings Limited ("SAH") and its subsidiaries during the year as described in note 37, the Group ceased its cold chain operation and thereafter the segment information at the end of the reporting period reported to the CODM in respect of bonded logistics and cold chain operations comprises only the bonded logistics operation which includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Port-related manufacturing operation 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.

6. SEGMENT INFORMATION (Continued)

Each of the segment under ports operation includes the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics and cold chain operations and other operations includes a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

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

There was no single customer who accounted for over 10% of the Group's total revenue in any of the year ended 31 December 2015 and 2014.

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		Non-current assets	
	2015 HK$'million	2014 HK$'million	**2015 HK$'million**	2014 HK$'million
Mainland China, Hong Kong and Taiwan	**7,212**	7,956	**64,852**	67,894
Other locations	**1,021**	301	**19,287**	16,384
	8,233	8,257	**84,139**	84,278

6. SEGMENT INFORMATION (Continued)

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:

	Revenue									
	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 HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
For the year ended 31 December 2015										
Company and subsidiaries	**5,961**	**246**	**–**	**561**	**1,021**	**7,789**	**408**	**–**	**36**	**8,233**
Share of associates	**429**	**736**	**8,764**	**–**	**1,244**	**11,173**	**204**	**18,279**	**3,109**	**32,765**
Share of joint ventures	**11**	**13**	**380**	**2,122**	**–**	**2,526**	**1**	**–**	**–**	**2,527**
Total segment revenue	**6,401**	**995**	**9,144**	**2,683**	**2,265**	**21,488**	**613**	**18,279**	**3,145**	**43,525**
For the year ended 31 December 2014										
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

6. SEGMENT INFORMATION (Continued)

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 2015											
	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 HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Operating profit/(loss)	2,203	29	236	206	324	2,998	214	178	13	(422)	(409)	2,981
Share of profits less losses of												
– Associates	48	314	1,975	–	572	2,909	30	621	330	–	330	3,890
– Joint ventures	–	1	115	31	(2)	145	(1)	–	–	–	–	144
	2,251	344	2,326	237	894	6,052	243	799	343	(422)	(79)	7,015
Finance costs, net	(73)	–	–	(51)	(157)	(281)	(25)	–	–	(394)	(394)	(700)
Taxation	(372)	(5)	(188)	(24)	(7)	(596)	(22)	(138)	(31)	(3)	(34)	(790)
Profit/(loss) for the year	1,806	339	2,138	162	730	5,175	196	661	312	(819)	(507)	5,525
Non-controlling interests	(611)	–	–	(26)	(76)	(713)	(4)	–	–	–	–	(717)
Profit/(loss) attributable to equity holders of the Company	1,195	339	2,138	136	654	4,462	192	661	312	(819)	(507)	4,808
Other information:												
Depreciation and amortisation	861	11	–	125	289	1,286	94	–	–	12	12	1,392
Capital expenditure	405	13	–	251	1,044	1,713	31	–	617	15	632	2,376

6. SEGMENT INFORMATION (Continued)

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 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 HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'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

6. SEGMENT INFORMATION (Continued)

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 2015											
	Ports operation						Bonded logistics operation	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 HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'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)	23,185	237	5,144	3,943	11,018	43,527	2,760	34	838	8,155	8,993	55,314
Interests in associates	1,224	1,715	17,441	1	5,829	26,210	390	7,713	3,640	–	3,640	37,953
Interests in joint ventures	3	7	894	5,146	2,991	9,041	–	–	–	–	–	9,041
Total segment assets	24,412	1,959	23,479	9,090	19,838	78,778	3,150	7,747	4,478	8,155	12,633	102,308
Deferred tax assets												41
Total assets												102,349
LIABILITIES												
Segment liabilities	(3,319)	(42)	–	(1,421)	(6,452)	(11,234)	(684)	–	–	(11,043)	(11,043)	(22,961)
Taxation payable												(406)
Deferred tax liabilities												(2,333)
Total liabilities												(25,700)

6. SEGMENT INFORMATION (Continued)

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

	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)

7. PROFIT FOR THE YEAR

	2015 HK$'million	2014 HK$'million
Profit for the year has been arrived at after charging:		
Cost of inventories	—	49
Staff costs (including Directors' and chief executive's emoluments) (note 9)	**1,499**	1,492
Depreciation of property, plant and equipment	**1,111**	1,063
Amortisation of intangible assets and land use rights	**281**	198
Auditor's remuneration (including fees for non-audit services)	**17**	19
Operating lease rentals in respect of		
– land and buildings	**250**	216
– plant and machinery	**36**	106

8. OTHER GAINS/(LOSSES), NET AND OTHER INCOME

	2015 HK$'million	2014 HK$'million
Other gains/(losses), net		
Increase in fair value of investment properties (note 18)	**3**	22
Increase in fair value of financial asset at fair value through profit or loss (note 23(b))	—	22
Gain on disposal of land use rights and property, plant and equipment	**22**	59
Gain on disposal of subsidiaries (note 37)	**52**	—
Gain on deemed disposal of interests in associates and a joint venture	**399**	—
Gain on partial disposal of an associate	**2**	—
Impairment loss of goodwill and intangible assets (note 16(c))	—	(216)
Net exchange (losses)/gains	**(333)**	3
Others	**(8)**	—
	137	(110)
Other income		
Dividend income from available-for-sale financial assets	**121**	86
Dividend income from financial asset at fair value through profit or loss	—	29
Others	**81**	83
	202	198

9. STAFF COSTS (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS)

	2015 HK$'million	2014 HK$'million
Wages, salaries and bonus	**1,254**	1,264
Retirement benefit scheme contributions (Note)	**245**	228
	1,499	1,492

Note: No forfeiture was utilised for the year ended 31 December 2015 (2014: nil), leaving no available balance at the year end to reduce future contributions.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments comprise payments to the following directors, which include the chief executive of the Company, by the Group in connection to their service to and management of the affairs of the Group. The amount paid to each director was as follows:

Name of Director	Fees HK$'million	Salary HK$'million	Discretionary bonus HK$'million (Note (i))	Share based payment HK$'million	Employer's contribution to pension scheme HK$'million	2015 Total HK$'million	2014 Total HK$'million
Executive Directors:							
Fu Yuning (Note (ii))	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	—
Li Jianhong (Notes (ii) and (vii))	—	—	—	—	—	—	—
Li Xiaopeng (Note (iii))	—	—	—	—	—	—	—
Li Yinquan (Note (iv))	—	—	—	—	—	—	—
Hu Zheng (Note (iv))	—	—	—	—	—	—	—
Meng Xi (Note (iv))	—	—	—	—	—	—	—
Su Xingang	—	—	—	—	—	—	—
Fu Gangfeng (Note (v))	—	—	—	—	—	—	N/A
Yu Liming	—	—	—	—	—	—	—
Hu Jianhua (Notes (vi) and (viii))	—	**0.18**	**0.49**	—	**0.03**	**0.70**	3.15
Wang Hong	—	—	—	—	—	—	—
Deng Renjie (Note (v))	—	—	—	—	—	—	N/A
Bai Jingtao (Notes (v) and (vi))	—	**1.07**	**0.77**	—	**0.11**	**1.95**	N/A
Zheng Shaoping	—	**1.11**	**0.96**	—	**0.11**	**2.18**	2.16
Independent non-executive Directors:							
Kut Ying Hay	**0.26**	—	—	—	—	**0.26**	0.26
Lee Yip Wah Peter	**0.26**	—	—	—	—	**0.26**	0.26
Li Kwok Heem John	**0.26**	—	—	—	—	**0.26**	0.26
Li Ka Fai David	**0.26**	—	—	—	—	**0.26**	0.26
Bong Shu Ying Francis	**0.26**	—	—	—	—	**0.26**	0.26
Total for the year ended 31 December 2015	**1.30**	**2.36**	**2.22**	—	**0.25**	**6.13**	
Total for the year ended 31 December 2014	1.30	1.61	3.43	—	0.27		6.61

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Notes:

(i) Bonus is recommended by the Remuneration Committee and is approved by the Board of Directors, having regard to the Group's operating results, individual performance and comparable market statistics.

(ii) Dr. Fu Yuning resigned as an executive director and Chairman of the Board of Directors of the Company on 9 May 2014. Following the resignation of Dr. Fu Yuning, Mr. Li Jianhong was appointed as the Chairman of the Board of Directors of the Company.

(iii) Mr. Li Xiaopeng was appointed as an executive director and Vice Chairman of the Board of Directors of the Company on 25 August 2014, and appointed as the Chairman of the Board of Directors of the Company on 18 February 2016.

(iv) Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi resigned as executive directors of the Board of Directors of the Company on 13 March 2015.

(v) Mr. Fu Gangfeng, Mr. Deng Renjie and Mr. Bai Jingtao were appointed as executive directors of the Board of Directors of the Company on 1 June 2015.

(vi) Mr. Hu Jianhua retired as the Managing Director of the Board of Directors of the Company on 16 April 2015. Following the resignation of Mr. Hu Jianhua, Mr. Bai Jingtao was appointed as the Managing Director of the Board of Directors of the Company on 1 June 2015.

(vii) Mr. Li Jianhong resigned as an executive director and Chairman of the Board of Directors of the Company on 18 February 2016.

(viii) Mr. Hu Jianhua was appointed as Vice Chairman of the Board of Directors of the Company on 18 February 2016.

(ix) No Director nor the chief executive waived any emoluments in respect of the years ended 31 December 2015 and 2014.

11. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the eleven (2014: nine) senior management of the Company for the year ended 31 December 2015, three (2014: two) of them are directors of the Company and their remuneration has been disclosed in note 10. The total emoluments of the remaining eight (2014: seven) senior management is as follows:

	2015 **HK$'million**	2014 HK$'million
Salaries, other allowances and benefit-in-kinds	**5**	5
Performance related incentive payments	**4**	6
	9	11

The emoluments fell within the following bands:

	Number of senior management	
	2015	2014
Below HK$1,500,000	**4**	2
HK$1,500,001 - HK$2,000,000	**2**	3
HK$2,000,001 - HK$2,500,000	**2**	2
	8	7

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2014: two) director(s) (including the chief executive) and three (2014: two) are senior management of the Company whose emoluments are included in notes 10 and 11(a), respectively. The total emoluments of the remaining one (2014: one) individual is as follows:

	2015 **HK$'million**	2014 HK$'million
Salaries, other allowances and benefit-in-kinds	**2**	2
Performance related incentive payments	**1**	1
	3	3

The emoluments fell within the band of HK$2,500,001 - HK$3,000,000 for the year ended 31 December 2015 (2014: HK$3,000,001 - HK$3,500,000).

12. FINANCE INCOME AND COSTS

	2015 HK$'million	2014 HK$'million
Finance income from:		
Interest income from bank deposits	**151**	156
Others	**7**	8
	158	164
Interest expense on:		
Bank loans	**(242)**	(296)
Listed notes payable	**(452)**	(525)
Unlisted notes payable	**(77)**	(95)
Loans from:		
– a non-controlling equity holder of a subsidiary	**(16)**	(15)
– shareholders	**(112)**	(254)
Others	**(17)**	(13)
Total borrowing costs incurred	**(916)**	(1,198)
Less: amount capitalised on qualifying assets (Note)	**58**	175
Finance costs	**(858)**	(1,023)
Finance costs, net	**(700)**	(859)

Note: Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.31% per annum (2014: 4.36% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

13. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2014: 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 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. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. 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 according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

13. TAXATION (Continued)

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. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

The amount of taxation charged to the consolidated statement of profit or loss represents:

	2015 HK$'million	2014 HK$'million
Current taxation		
Hong Kong Profits Tax	**20**	5
PRC corporate income tax	**345**	455
Overseas profit tax	—	1
PRC withholding income tax	**220**	470
Overseas withholding income tax	**9**	16
Deferred taxation		
Origination and reversal of temporary differences	**86**	204
Deferred taxation on PRC withholding income tax arising from change in tax rate (Note)	**110**	—
	790	1,151

Note: Upon deemed disposal of interest in an associate, the Group's shareholding in the relevant associate is herein decreased to below 25% and is no longer entitled to 5% preferential tax rate on its dividend receivable from the relevant associate and accordingly an additional amount of HK$110 million for deferred taxation was provided for the year ended 31 December 2015 for the Group's share of earnings of this investment which payment is yet to be declared.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	2015 HK$'million	2014 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	**2,281**	1,732
Expected tax calculated at the weighted average applicable tax rate	**401**	334
Income not subject to tax	**(228)**	(148)
Expenses not deductible for tax purposes	**169**	221
Tax losses and other temporary differences not recognised	**48**	138
Utilisation of previously unrecognised tax losses	**(24)**	(26)
Withholding tax on earnings of subsidiaries, associates and joint ventures	**424**	632
Tax charge	**790**	1,151

The weighted average applicable tax rate was 17.6% (2014: 19.3%).

13. TAXATION (Continued)

The amount of taxation credited to other comprehensive income represents:

	2015 HK$'million	2014 HK$'million
Deferred taxation		
Arising on income and expense recognised in other comprehensive income:		
Revaluation of available-for-sale financial assets	**166**	168

14. DIVIDENDS

	2015 HK$'million	2014 HK$'million
Interim, paid, of 22 HK cents (2014: 22 HK cents) per ordinary share	**569**	560
Final, proposed, of 55 HK cents (2014: 55 HK cents) per ordinary share	**1,429**	1,411
	1,998	1,971

Details of scrip dividends offered in respect of the 2014 final and 2015 interim dividends are set out in note 28(c).

At a meeting held on 31 March 2016, the Board of Directors proposed a final dividend of 55 HK cents per ordinary 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 2015 was based on 2,598,715,093 (2014: 2,564,503,798) shares in issue as at 31 March 2016.

15. 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 following data:

	2015	2014
Basic		
Profit attributable to equity holders of the Company (HK$'million)	**4,808**	4,526
Weighted average number of ordinary shares in issue (Note (a))	**3,099,921,253**	2,839,277,888
Basic earnings per share (HK cents)	**155.07**	159.41
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	**4,808**	4,526
Weighted average number of ordinary shares in issue (Note (a))	**3,099,921,253**	2,839,277,888
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	**3,076,279**	2,281,467
Weighted average number of ordinary shares for diluted earnings per share	**3,102,997,532**	2,841,559,355
Diluted earnings per share (HK cents)	**154.91**	159.28

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 MCS (as set out in details in note 29) 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.

16. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets				
	HK$'million (Note (b))	Trademarks HK$'million	Contractual customer relationships HK$'million	Port operating rights HK$'million (Note (d))	Others HK$'million (Note (e))	Total HK$'million
Year ended 31 December 2015						
As at 1 January 2015	**3,167**	—	—	**5,650**	—	**5,650**
Exchange adjustments	**(29)**	—	—	**(505)**	**(8)**	**(513)**
Addition	—	—	—	**463**	**15**	**478**
Amortisation (Note (a))	—	—	—	**(94)**	**(3)**	**(97)**
Disposal of subsidiaries (note 37)	**(165)**	—	—	—	—	—
Transfer from other non-current assets	—	—	—	—	**142**	**142**
As at 31 December 2015	**2,973**	—	—	**5,514**	**146**	**5,660**
As at 31 December 2015						
Cost	**2,973**	—	—	**5,614**	**149**	**5,763**
Accumulated amortisation	—	—	—	**(100)**	**(3)**	**(103)**
Net book value	**2,973**	—	—	**5,514**	**146**	**5,660**
Year ended 31 December 2014						
As at 1 January 2014	3,318	6	69	5,199	—	5,274
Exchange adjustments	(3)	—	—	(558)	—	(558)
Addition	—	—	—	1,017	—	1,017
Amortisation (Note (a))	—	—	(7)	(8)	—	(15)
Impairment (Note (c))	(148)	(6)	(62)	—	—	(68)
As at 31 December 2014	3,167	—	—	5,650	—	5,650
As at 31 December 2014						
Cost	3,315	6	94	5,658	—	5,758
Accumulated amortisation	—	—	(32)	(8)	—	(40)
Accumulated impairment	(148)	(6)	(62)	—	—	(68)
Net book value	3,167	—	—	5,650	—	5,650

Notes:

(a) Amortisation expenses charged for the year are included in the consolidated statement of profit or loss as follows:

	2015 HK$'million	2014 HK$'million
Cost of sales	**94**	8
Administrative expenses	**3**	7
	97	15

16. GOODWILL AND INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(b) Goodwill is allocated to groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2015 HK$'million	2014 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– PRD excluding HK	**2,911**	2,940
– Hong Kong	**52**	52
– Others	**10**	10
Bonded logistics and cold chain operations	—	165
	2,973	3,167

The recoverable amount of a CGU is determined based on higher of fair value less cost of disposal and value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determines the financial budgets based on past performance and its expectations for market development, including the expected economic growth in developed and emerging economies in the short-term and medium-term, China's prospective GDP growth rates, future developments of the ports, among others. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

The key assumptions used for value-in-use calculations are as follows:

	Growth rate (Note (i))		Discount rate (Note (ii))	
	2015	2014	**2015**	2014
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– PRD excluding HK	**4%**	5%	**8.41%**	8.58%
– Hong Kong	**3%**	3% to 5%	**8.41%**	8.58%
– Others	**5%**	5%	**8.41%**	8.58%
Bonded logistics and cold chain operations (note (c))	**N/A**	0% to 5%	**N/A**	8.58%

Notes:

(i) Weighted average growth rates are used to extrapolate cash flows beyond the budget period which do not exceed the historical trend of the respective CGUs nor the industry growth rate.

(ii) Pre-tax discount rate has been applied to the cash flow projections. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

During the year ended 31 December 2015, no impairment of any of its CGUs or group of CGUs containing goodwill with indefinite useful live has been identified. Management believes that any reasonably possible change in any of the above assumptions would not cause the aggregate carrying amount of any of the above CGUs to exceed the respective aggregate recoverable amounts.

During the year ended 31 December 2014, other than the impairment loss of the CGU of bonded logistics and cold chain operations as set out in details in note (c) below, there was no other impairment of any of its CGUs or group of CGUs containing goodwill with indefinite useful lives.

(c) During the year ended 31 December 2014, based on the then assessment of the management of the Company, the expected performance of cold chain logistic operation in Mainland China was less optimistic than previously forecasted by the Group in view of the outlook of the cold chain logistics industry in Mainland China as well as its performance at that time. These, combined with rising logistics and other operating costs, had therefore deteriorated both the operating environment and financial performances of these group of CGUs. The recoverable amounts as at 31 December 2014, estimated using the value-in-use calculation for assessment of impairment on the cold chain logistic operation, were less than their respective then carrying value. Impairment losses of the balances of trademarks and contractual customer relationships and goodwill for an aggregate amount of HK$216 million had been recognised in the consolidated statement of profit or loss in the year ended 31 December 2014. During the year ended 31 December 2015, following the disposal of SAH, as described in note 37, the balance of the cost, the accumulated impairment and accumulated amortisation of trademarks and contractual customer relationships and relevant goodwill with impairment as mentioned above has also been disposed of in entirety.

16. GOODWILL AND INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(d) Included in port operating rights as at 31 December 2015 is an amount of HK$4,365 million (2014: HK$4,492 million) related to the concession for operation of a terminal to be built in the Port of Lomé in Togo for a concession period of 35 years commenced in 2011 granted by the Government of Togolese Republic. The carrying amount of the concession represents the fair value as at the date of the business combination under which the Group acquired the concession and the fair value of the construction services carried out to-date. Amortisation is provided for since the current year and over the period in which the Group operates the relevant terminals on a straight-line basis. The relevant group entity recognises both construction revenue and cost in the amount of HK$451 million (2014: HK$916 million) for the year ended 31 December 2015 by reference to the stage of completion of the construction of the terminal at the end of the reporting period and based on the proportion that contract costs incurred for work performed at the end of the reporting period relative to the estimated total contract costs.

The remaining amount related to the concession for operation of a terminal built in Colombo in Sri Lanka for a concession period of 35 years commenced from 2011 granted by the government of the Republic of Sri Lanka. The carrying amount of the concession represents the fair value as at the date of the acquisition of the relevant business by the Group less its accumulated amortisation, which is calculated using the economic usage basis. Further details are also set out in note 33.

(e) Others mainly comprise of the Group's rights to use certain sea areas and the coastal lines associated with the terminals managed and operated by the Group as granted by relevant PRC government authorities for specified periods up to 50 years. Amortisation will be provided for over the period in which the Group operates the relevant terminals on a straight-line basis.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'million	Harbour works, buildings and dockyard HK$'million	Plant, machinery, furniture and equipment HK$'million	Others HK$'million (Note (c))	Assets under construction HK$'million (Note (a))	Total HK$'million
Year ended 31 December 2015						
As at 1 January 2015	816	11,602	5,051	736	1,777	19,982
Exchange adjustments	(29)	(558)	(192)	(29)	(47)	(855)
Additions	—	65	146	57	899	1,167
Acquisition of a subsidiary (note 38)	—	—	—	—	137	137
Disposals	—	(22)	(39)	(8)	—	(69)
Disposal of subsidiaries (note 37)	(34)	(57)	(64)	(163)	(90)	(408)
Transfers	1	1,726	38	12	(1,777)	—
Transfer (to)/from investment properties	(2)	25	—	—	—	23
Transfer from other non-current assets	—	—	704	—	—	704
Depreciation (Note (d))	(26)	(452)	(564)	(69)	—	(1,111)
As at 31 December 2015	726	12,329	5,080	536	899	19,570
As at 31 December 2015						
Cost	981	16,098	9,983	1,056	899	29,017
Accumulated depreciation and impairment	(255)	(3,769)	(4,903)	(520)	—	(9,447)
Net book value	726	12,329	5,080	536	899	19,570

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings HK$'million	Harbour works, buildings and dockyard HK$'million	Plant, machinery, furniture and equipment HK$'million	Others HK$'million (Note (c))	Assets under construction HK$'million (Note (a))	Total HK$'million
Year ended 31 December 2014						
As at 1 January 2014	694	10,035	4,821	768	2,716	19,034
Exchange adjustments	(1)	(13)	(74)	(5)	(16)	(109)
Additions	—	69	622	42	1,347	2,080
Disposals	(11)	(165)	(26)	(6)	—	(208)
Transfers	55	2,132	64	19	(2,270)	—
Transfer from other non-current assets	—	5	140	—	—	145
Transfer from investment properties	103	—	—	—	—	103
Depreciation (Note (d))	(24)	(461)	(496)	(82)	—	(1,063)
As at 31 December 2014	816	11,602	5,051	736	1,777	19,982
As at 31 December 2014						
Cost	1,071	15,245	9,722	1,420	1,777	29,235
Accumulated depreciation and impairment	(255)	(3,643)	(4,671)	(684)	—	(9,253)
Net book value	816	11,602	5,051	736	1,777	19,982

Notes:

(a) Included in assets under construction is capitalised interest of approximately HK$30 million (2014: HK$31 million).

(b) As at 31 December 2014, plant, machinery, furniture and equipment with net book value of HK$31 million were pledged as security for the Group's bank borrowings. Such bank borrowings and the associated pledge assets have been disposed of alongside the disposal of the relevant subsidiaries during the year (note 32(a)).

(c) Others mainly comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$389 million (2014: HK$433 million), HK$63 million (2014: HK$98 million) and HK$24 million (2014: HK$55 million) respectively as at 31 December 2015.

(d) Depreciation expenses charged for the year are included in the consolidated statement of profit or loss as follows:

	2015 HK$'million	2014 HK$'million
Cost of sales	**1,078**	1,022
Administrative expenses	**33**	41
	1,111	1,063

18. INVESTMENT PROPERTIES

	2015 HK$'million	2014 HK$'million
As at 1 January	**1,757**	1,839
Exchange adjustments	**(18)**	(1)
Additions	**2**	—
Disposal of subsidiaries (note 37)	**(1,434)**	—
Transfer to property, plant and equipment	**(23)**	(103)
Increase in fair value (note 8)	**3**	22
As at 31 December	**287**	1,757

Note: The investment properties were revalued at 31 December 2015 by independent and professional qualified valuers. Valuations are based on current prices in an active market that reflects recent transaction prices for similar properties.

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 2.1). The fair value was determined based on the direct comparison approach, which makes reference to the recent transactions for similar properties in the proximity and adjusted for a number of factors, including differences in transaction dates, floor areas, etc., between the comparable properties and the subject matters. If any of the significant inputs were slightly higher/lower while other variables were held constant, the changes in fair value of the Group's investment properties would not be significant. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique or level of fair value hierarchy during the year.

19. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and the movements are analysed as follows:

	2015 HK$'million	2014 HK$'million
As at 1 January	**7,938**	7,967
Exchange adjustments	**(391)**	(25)
Additions	**25**	142
Disposals	—	(20)
Disposal of subsidiaries (note 37)	**(25)**	—
Transfer from other non-current assets	**182**	57
Amortisation	**(184)**	(183)
As at 31 December	**7,545**	7,938

Notes:

(a) The Group's interest in land use rights, held on medium-term leases at their book values, are located in Mainland China.

(b) As at 31 December 2014, land use rights with a net book value of HK$7 million were pledged as security for the Group's bank borrowings. Such bank borrowings and the associated pledge assets have been disposed of alongside the disposal of the relevant subsidiaries during the year (note 32(a)).

20. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

Particulars of the Company's principal subsidiaries at 31 December 2015 are set out in note 41 to the consolidated financial statements.

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests

Among the Group's non-wholly-owned subsidiaries at the end of the reporting period is Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan"), which has material non-controlling interests.

Shenzhen Chiwan is a company listed on the Shenzhen Stock Exchange. Although the Group is only beneficially interested in (excluding those held through an associate of the Group, China Nanshan Development (Group) Incorporation, being an unofficial English name ("China Nanshan"), and its subsidiary) Shenzhen Chiwan for approximately 34% (2014: 34%), the Group has the power to direct approximately 67% (2014: 67%) of the voting right in Shenzhen Chiwan pursuant to an entrustment agreement entered into with China Nanshan, over its 33% (2014: 33%) beneficial interest in Shenzhen Chiwan. The ownership interest and voting rights held by numerous other shareholders other than the Group and China Nanshan in Shenzhen Chiwan is approximately 33% (2014: 33%). Therefore, the directors conclude the Group has control over Shenzhen Chiwan and Shenzhen Chiwan is a consolidated subsidiary in these consolidated financial statements.

20. INTERESTS IN SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of Shenzhen Chiwan, which the Group has material non-controlling interests, is set out below. The summarised financial information of Shenzhen Chiwan prepared in accordance with the significant accounting policies of the Group are as follows:

	2015 Shenzhen Chiwan HK$'million	2014 Shenzhen Chiwan HK$'million
Financial information of consolidated statement of profit or loss and other comprehensive income		
Revenue	**2,302**	2,262
Other income and gains	**134**	138
Expenses and taxation	**(1,628)**	(1,734)
Profit for the year	**808**	666
Other comprehensive expense	**(314)**	(11)
Total comprehensive income for the year	**494**	655
Profit for the year, attributable to:		
Equity holders of the Company	**361**	292
Non-controlling interests of the Group	**447**	374
	808	666
Total comprehensive income for the year, attributable to:		
Equity holders of the Company	**198**	287
Non-controlling interests of the Group	**296**	368
	494	655
Dividends paid to non-controlling interests of the Group	**140**	172
Financial information of consolidated statement of financial position		
Non-current assets	**7,663**	8,380
Current assets	**1,102**	957
Current liabilities	**(1,299)**	(1,229)
Non-current liabilities	**(715)**	(1,387)
	6,751	6,721
Equity attributable to:		
Equity holders of the Company	**3,255**	3,257
Non-controlling interests of the Group	**3,496**	3,464
	6,751	6,721

20. INTERESTS IN SUBSIDIARIES (Continued)

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

	2015 Shenzhen Chiwan HK$'million	2014 Shenzhen Chiwan HK$'million
Financial information of consolidated statement of cash flows		
Net cash inflow from operating activities	**1,207**	1,030
Net cash outflow from investing activities	—	(79)
Net cash outflow from financing activities	**(953)**	(1,262)
Net cash inflow/(outflow)	**254**	(311)

(c) During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group agreed to dispose of, and the third party agreed to acquire, 30% of the equity interest of Oasis King International Limited ("OKIL"), a then wholly-owned subsidiary of the Company, for an aggregate consideration of EUR57 million (equivalent to HK$576 million). The disposal has been completed in current year. An amount of HK$444 million, being the proportionate share of the carrying amount of the net asset of OKIL disposed as at the date of completion, has been adjusted to non-controlling interests.

This transaction represents a material change in ownership interest in an existing subsidiary without change of control during the current year. The difference between the fair value of consideration received by the Group and the corresponding non-controlling interest attributable to the interest in OKIL disposed of is recognised in capital reserve.

(d) At no time had there been any significant restriction imposed on the Group on its ability to access or use the assets or settle the liabilities of any entities of the Group.

21. INTERESTS IN ASSOCIATES

	2015 HK$'million	2014 HK$'million
Share of net assets of:		
Listed associates	**24,668**	24,450
Unlisted associates	**10,126**	9,874
	34,794	34,324
Goodwill:		
Listed associates	**486**	547
Unlisted associates	**2,673**	2,860
	3,159	3,407
Total	**37,953**	37,731

The Group's material associates at the end of the reporting period include China International Marine Containers (Group) Co., Ltd. ("CIMC") and Shanghai International Port (Group) Co., Ltd. ("SIPG"). All of the Group's associates are accounted for using equity method in these consolidated financial statements.

21. INTERESTS IN ASSOCIATES (Continued)

(a) Material associates

Summarised financial information in respect of each of the Group's material associates is set out below. Other associates invested by the Group are not individually material. The summarised financial information below represents material associates' financial information prepared in accordance with the significant accounting policies of the Group.

	2015		2014	
	CIMC HK$'million	**SIPG HK$'million**	CIMC HK$'million	SIPG HK$'million
Financial information of consolidated statement of profit or loss and other comprehensive income				
Revenue	**71,873**	**36,107**	87,699	35,994
Profit for the year, attributable to the equity holders of the associates	**2,436**	**8,141**	3,119	8,798
Other comprehensive (expense)/income for the year, attributable to the equity holders of the associates	**(2,093)**	**(4,068)**	(260)	828
Total comprehensive income for the year, attributable to the equity holders of the associates	**343**	**4,073**	2,859	9,626
Dividends received from associates by the Group during the year	**270**	**1,084**	231	892
Financial information of consolidated statement of financial position				
Non-current assets	**75,475**	**98,159**	54,004	100,542
Current assets	**51,958**	**22,669**	57,260	22,316
Current liabilities	**(54,812)**	**(22,102)**	(54,937)	(26,154)
Non-current liabilities	**(30,254)**	**(17,514)**	(21,745)	(19,138)
Net assets of the associates	**42,367**	**81,212**	34,582	77,566

21. INTERESTS IN ASSOCIATES (Continued)

(a) Material associates (Continued)

	2015		2014	
	CIMC HK$'million	**SIPG HK$'million**	CIMC HK$'million	SIPG HK$'million
Reconciliation to the carrying amounts of interests in the associates:				
Net assets of the associates	**42,367**	**81,212**	34,582	77,566
Less: non-controlling interests	**(8,300)**	**(9,008)**	(6,328)	(7,194)
Less: perpetual medium term note	**(2,427)**	—	—	—
Net assets attributable to the equity holders of the associates	**31,640**	**72,204**	28,254	70,372
Proportion of the Group's interests in the associates (Note (a) and (b))	**23.08%**	**24.05%**	25.54%	24.49%
Net assets attributable to the Group's interests in the associates	**7,303**	**17,365**	7,216	17,234
Goodwill	**410**	**76**	465	82
Carrying amount of the Group's interests in the associates	**7,713**	**17,441**	7,681	17,316
Market value of the listed associates, valued based on the quoted prices in active markets for the identical asset directly, and categorised as level 1 of the fair value hierarchy of the Group's interests in the associates	**9,746**	**43,109**	11,708	45,357

Notes:

(a) Deemed disposal of interest in SIPG

During the year, 418,495,000 shares were issued by SIPG to eligible scheme participants in accordance with an employee share subscription scheme. Consequentially, the Group's interest in SIPG has been diluted from 24.49% to 24.05%, resulting in a gain on deemed disposal of HK$212 million.

(b) Deemed disposal of interest in CIMC

During the year, 19,095,035 shares and 286,096,100 shares were issued by CIMC upon the exercise of share options by its qualified scheme participants and issue of new shares to subscribers. Consequentially, the Group's interest in CIMC has been diluted from 25.54% to 23.08%, resulting in a gain on deemed disposal of HK$178 million.

21. INTERESTS IN ASSOCIATES (Continued)

(b) Aggregate of other associates

	2015 HK$'million	2014 HK$'million
The Group's share of:		
Profit for the year	**1,295**	1,153
Other comprehensive expense	**(540)**	(518)
Total comprehensive income	**755**	635
Aggregate carrying amount of the Group's interests in these associates	**12,799**	12,734

Note: Particulars of the Group's principal associates at 31 December 2015 are set out in note 42 to the consolidated financial statements.

22. INTERESTS IN JOINT VENTURES

	2015 HK$'million	2014 HK$'million
Share of net assets of unlisted joint ventures	**8,988**	6,351
Goodwill	**53**	57
	9,041	6,408

All of the Group's joint ventures are accounted for using equity method in these consolidated financial statements.

Summarised financial information in respect of the aggregate of the Group's joint ventures, each of which is not individually material, is set out below.

	2015 HK$'million	2014 HK$'million
The Group's share of:		
Profit for the year	**144**	332
Other comprehensive expense	**(365)**	(36)
Total comprehensive (expense)/income	**(221)**	296

22. INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) Establishment of a joint venture to acquire a terminal in Turkey

During the year, the Group and two joint venture partners established Euro-Asia Oceangate S.ar.l. ("Euro-Asia"), a limited liability company incorporated in Luxembourg where decisions on key operating and financing activities of the investee require unanimous consent from all three joint venture partners. Accordingly, Euro-Asia is considered to be a joint venture of the Group.

On 9 December 2015, Euro-Asia completed, directly and indirectly, the acquisition of an aggregate interest of approximately 65% in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Sirketi ("Kumport") for an aggregate amount of US$965 million, of which the Group contributed US$386 million (equivalent to HK$2,993 million) for the relevant project through its 40% owned Euro-Asia. Kumport owns and operates a terminal in the Ambarli Port Complex of the Marmara region in Turkey.

(b) Establishment of a joint venture for management and operations of an iron ore terminal in Qingdao

During the year ended 31 December 2013, the Group entered into a shareholders' agreement with three joint venture partners for the establishment of an entity in the PRC, which is principally engaged in management and operations of an iron ore terminal in Qingdao, the PRC. The Group's investment for 25% interests in the relevant project amounted to RMB350 million (equivalent to HK$444 million). This transaction had been completed during the year ended 31 December 2014.

(c) Particulars of the Group's principal joint ventures at 31 December 2015 are set out in note 43 to the consolidated financial statements.

23. OTHER FINANCIAL ASSETS

	2015 HK$'million	2014 HK$'million
Non-current asset		
Available-for-sale financial assets (Note (a))	**5,883**	4,215
Current asset		
Financial asset at fair value through profit or loss (Note (b))	—	580

Notes:

(a) Available-for-sale financial assets, at fair value

	2015 HK$'million	2014 HK$'million
Listed equity investments in Hong Kong	**143**	139
Listed equity investments in Mainland China	**5,155**	3,409
Unlisted equity investments in Mainland China	**585**	667
	5,883	4,215

The movements in available-for-sale financial assets are summarised as follows:

	2015 HK$'million	2014 HK$'million
As at 1 January	**4,215**	2,523
Acquisition	**2**	157
Exchange adjustments	**(22)**	(4)
Net change in fair value transferred to equity	**1,688**	1,539
As at 31 December	**5,883**	4,215

97.6% (2014: 96.7%) of the available-for-sale financial assets are denominated in Renminbi and the remaining balance is denominated in Hong Kong dollar.

23. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(b) Financial asset at fair value through profit or loss

	2015 HK$'million	2014 HK$'million
Unlisted convertible preference shares in United States	—	580

The movement in financial asset at fair value through profit or loss is summarised as follows:

	2015 HK$'million	2014 HK$'million
As at 1 January	**580**	558
Increase in fair value (note 8)	—	22
Disposal of subsidiaries (note 37)	**(580)**	—
As at 31 December	—	580

The financial asset at fair value through profit or loss, all of which relate to an issuer, was denominated in United States dollar.

24. OTHER NON-CURRENT ASSETS

	2015 HK$'million	2014 HK$'million
Prepayments and deposits for purchase of non-current assets	**404**	1,266
Deposit for acquisition of a subsidiary (Note (a))	**597**	—
Advances to a joint venture (Note (b))	—	254
Others	**109**	125
	1,110	1,645

Notes:

(a) The amount as at 31 December 2015 was paid to two fellow subsidiaries for the acquisition of the entire interest of an entity whose principal assets are certain building properties located in the Mainland China. The deposit is refundable and non-interest bearing.

(b) The amount as at 31 December 2014 was unsecured, interest-bearing at 6% per annum, and fully repaid during the year.

25. INVENTORIES

	2015 HK$'million	2014 HK$'million
Raw materials	**55**	55
Spare parts and consumables	**22**	53
	77	108

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 HK$'million	2014 HK$'million
Trade debtors	**937**	1,054
Less: provision for impairment of trade debtors (Note (a))	**(20)**	(23)
Trade debtors, net (Note (c))	**917**	1,031
Amounts due from fellow subsidiaries (Note (f))	**15**	14
Amounts due from associates (Note (f))	**297**	561
Amounts due from joint ventures (Note (f))	**5**	174
Dividend receivables	**375**	1,421
	1,609	3,201
Other debtors, deposits and prepayments	**307**	492
	1,916	3,693

Notes:

(a) Movements in the provision for impairment of trade debtors are as follows:

	2015 HK$'million	2014 HK$'million
As at 1 January	**23**	24
Provision for impairment of trade debtors	**1**	2
Reversal of provision	**(3)**	(2)
Exchange adjustments	**(1)**	(1)
As at 31 December	**20**	23

The creation and release of provision for impairment of trade debtors have been included in administrative expenses in the consolidated statement of profit or loss. Deposits and prepayments do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of debtors, deposits and prepayments. The Group does not hold any collateral as security.

(b) Bill receivables of HK$24 million (2014: HK$37 million) are included in trade debtors as at 31 December 2015.

26. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) The Group has a credit policy of allowing an average credit period of 90 days (2014: 90 days) to its trade customers. The ageing analysis of trade debtors, net of provision for impairment of trade debtors, is as follows:

	2015 HK$'million	2014 HK$'million
Not yet due	**458**	433
Days overdue		
– 1 - 90 days	**334**	481
– 91 - 180 days	**108**	102
– 181 - 365 days	**13**	12
– Over 365 days	**4**	3
	917	1,031

(d) As at 31 December 2015, trade debtors of HK$458 million (2014: HK$433 million) and balances with related companies of HK$692 million (2014: HK$2,170 million) are neither past due nor impaired and are fully performing.

(e) As at 31 December 2015, trade debtors of HK$442 million (2014: HK$583 million) are past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade debtors is as follows:

	2015 HK$'million	2014 HK$'million
Days overdue		
– 1 to 90 days	**334**	481
– 91 to 180 days	**108**	102
	442	583

As at 31 December 2015, it is noted that provision for impairment may be required in respect of trade debtors for the gross amount of HK$37 million (2014: HK$38 million) and a provision of HK$20 million (2014: HK$23 million) has been made thereon. The individually impaired trade debtors mainly relate to customers which are in difficult financial situations while it is assessed that a portion of the trade debtors is expected to be recovered.

(f) The amounts of HK$174 million (2014: HK$364 million) are unsecured, interest free and repayable on demand in accordance with the relevant agreements. The amounts of HK$143 million (2014: HK$385 million) is unsecured, interest-bearing at fixed rates at 1% (2014: 1% to 6%) per annum and repayable within twelve months from the end of the reporting period.

27. CASH AND BANK BALANCES

	2015 HK$'million	2014 HK$'million
Cash at bank and in hand	**3,854**	2,251
Short-term time deposits	**6,439**	7,250
	10,293	9,501

The weighted average effective interest rate on time deposits as at the end of the reporting period is approximately 0.47% (2014: 2.84%) per annum. These deposits had an average maturity period of 41 days (2014: 35 days).

27. CASH AND BANK BALANCES (Continued)

Cash and bank balances are denominated in the following currencies:

	2015 HK$'million	2014 HK$'million
Hong Kong dollar	**5,179**	7,099
Renminbi	**2,032**	2,084
United States dollar	**2,765**	157
Euro	**315**	155
Other currencies	**2**	6
	10,293	9,501

28. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2015	2014	2015 HK$'million	2014 HK$'million
Issued and fully paid:				
As at 1 January	**2,562,648,140**	2,526,690,412	**17,918**	253
Transfer from share premium upon abolition of par value (Note (a))	—	—	—	16,720
Transfer upon exercise/lapse of share options	—	—	**28**	112
Issue of shares on exercise of share options (Note (b))	**7,471,000**	1,959,700	**172**	33
Issue of scrip dividend shares (Note (c))	**26,739,941**	33,776,895	**820**	793
Issue of shares on conversion of MCS (Note (d))	**1,856,012**	221,133	**56**	7
As at 31 December	**2,598,715,093**	2,562,648,140	**18,994**	17,918

Notes:

(a) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014. Share premium of HK$16,720 million became part of the Company's share capital since then. The Company's ordinary shares had par value of HK$0.1 each before commencement of the new Hong Kong Companies Ordinance.

(b) During the year, 7,471,000 (2014: 1,959,700) shares were issued upon exercise of share options. Total net proceeds were HK$172 million (2014: HK$40 million).

The weighted average share price at the time of exercise was HK$32.74 (2014: HK$26.50) per share. The related transaction costs have been deducted from the proceeds received.

During the year, no ordinary shares were repurchased.

28. SHARE CAPITAL (Continued)

Notes: (Continued)

(c) The Company distributed dividends to its shareholders by way of scrip dividends, with a cash alternative to shareholders. Details of ordinary shares issued by the Company as dividends are as follows:

	Date of issue	Number of shares issued
2014 final dividend	10 July 2015	**16,220,486**
2015 interim dividend	18 November 2015	**10,519,455**
2015 Total		**26,739,941**
2014 Total		**33,776,895**

(d) During the year, 1,856,012 (2014: 221,133) shares were issued upon conversion of the MCS. No proceeds were received by the Company for the shares issued.

(e) Share options

The existing share option scheme was approved by the shareholders' resolutions of the Company and adopted on 9 December 2011 (the "New Scheme"), under which the Company's directors may, at their discretion, grant to any director or employee of the Company, the intermediate holding company of the Company or any of its subsidiaries or associates at a price of not less than the higher of (i) the closing price of shares as stated in the daily quotation sheet of the HKSE on the date of the offer of grant; and (ii) the average closing price of shares as stated in the daily quotation sheets of the HKSE for the five trading days immediately preceding the date of the offer of grant. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the old scheme and any other share option schemes adopted must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The New Scheme is valid and effective for a period of 10 years.

Upon termination of the old scheme on 9 December 2011, no further options will be granted thereunder. However, the rules of the old scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the old scheme. All options granted under the old scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the old scheme. The terms of the New Scheme and the old scheme are generally similar.

No share options have been granted under the New Scheme since its adoption.

Movements in the number of share options outstanding under the old scheme and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at 1 January	**23.01**	**20,383,000**	22.72	22,461,000
Exercised	**22.99**	**(7,471,000)**	20.37	(1,959,700)
Lapsed	—	—	11.08	(118,300)
As at 31 December	**23.03**	**12,912,000**	23.01	20,383,000

All share options are exercisable as at 31 December 2015 and 2014. Share options outstanding at 31 December 2015 and 2014 have the following expiry dates and exercise prices:

Year of expiry	Exercise price HK$	Number of share options **2015**	2014
2016	23.03	**12,912,000**	20,233,000
2016	20.91	—	150,000
		12,912,000	20,383,000

29. MANDATORY CONVERTIBLE SECURITIES

MCS are equity instruments issued by the Company at the subscription price of HK$30.26 per unit, representing a direct, unsecured and subordinated obligation of the Company. The MCS entitle the holders to receive fixed coupons semiannually at the rates of 8%, 6% and 4% per annum in the first, second and third year, respectively, from the MCS issuance. The Company may at its discretion elect to defer or cancel any scheduled distributions. Any deferred or cancelled distributions are non-cumulative and do not bear any interests. However, if the Company determines to do so but declares, makes or pays any dividends to the ordinary shareholders, the MCS holders should be notified, and the MCS shall be converted into ordinary shares of the Company at the initial conversion price. Any deferred but unpaid distributions prior to the accelerated conversion date and any scheduled future distributions after the accelerated conversion date (taking into account their net present value) shall be paid immediately to the MCS holders by cash.

Holders of MCS have the rights to convert any of their MCS into ordinary shares of the Company, at the conversion rate of one unit of MCS to one ordinary share of the Company (subject to certain anti-dilution adjustments), at any time prior to the mandatory conversion date, being the third anniversary following the date of issuance of the MCS, at the initial conversion price of HK$30.26 per ordinary share.

The MCS may be assigned or transferred by its holders without restriction but will not be listed on the HKSE or any other stock exchanges. The MCS are not entitled to dividends declared and paid by the Company to its ordinary shareholders and do not carry any voting rights of the Company.

On 6 June 2014, the open offer of the MCS, which was on the basis of one unit of MCS for every five ordinary shares held, became unconditional. A total of 505,400,882 units of MCS were issued, equivalent to 505,400,882 ordinary shares of the Company in issue when converted. An aggregate of 502,676,197 units (including those units taken up under underwriting arrangements) were issued to CMG and its associates (as defined under the Listing Rules and including CMU). The net proceeds received by the Group during the year ended 31 December 2014 amounted to HK$15,287 million.

During the year, 1,856,012 (2014: 221,133) units of MCS have been converted to ordinary shares of the Company and distribution amounted to HK$1,067 million (2014: HK$611 million) has been declared and paid to the holders of the MCS.

30. OTHER RESERVES

	Share-based compensation reserve HK$'million	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserves HK$'million (Note)	Total HK$'million
As at 1 January 2015	**76**	**(1,573)**	**2,782**	**5,677**	**2,411**	**9,373**
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	—	**(3,083)**	—	**(3,083)**
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	**1,521**	—	—	**1,521**
Release of reserves upon disposal of subsidiaries (note 37)	—	—	—	**(35)**	—	**(35)**
Share of reserves of associates	—	**223**	**(72)**	—	—	**151**
Other comprehensive income/(expense) for the year, net of tax	—	**223**	**1,449**	**(3,118)**	—	**(1,446)**
TRANSACTIONS WITH OWNERS						
Transfer from retained earnings	—	—	—	—	**154**	**154**
Transfer upon exercise of share options	**(28)**	—	—	—	—	**(28)**
Disposal of interests in subsidiaries to a non-controlling equity holder without losing control therein	—	**132**	—	—	—	**132**
Total transactions with owners for the year	**(28)**	**132**	—	—	**154**	**258**
As at 31 December 2015	**48**	**(1,218)**	**4,231**	**2,559**	**2,565**	**8,185**
As at 1 January 2014	190	(1,669)	1,232	6,548	2,015	8,316
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	—	(871)	—	(871)
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	1,370	—	—	1,370
Share of reserves of associates	—	96	180	—	—	276
Other comprehensive income/(expense) for the year, net of tax	—	96	1,550	(871)	—	775
TRANSACTIONS WITH OWNERS						
Transfer from retained earnings	—	—	—	—	396	396
Transfer upon lapse of share options	(114)	—	—	—	—	(114)
Total transactions with owners for the year	(114)	—	—	—	396	282
As at 31 December 2014	76	(1,573)	2,782	5,677	2,411	9,373

Note: Amount mainly represents statutory reserve of the Group's subsidiaries in the PRC. According to the relevant laws in the PRC, the Group's subsidiaries established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

31. LOANS FROM SHAREHOLDERS

	Loans from an intermediate holding company		Loans from the ultimate holding company		Total	
	2015 HK$'million	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million
The loans as at 31 December 2015 and 2014 are repayable as follows:						
Within 1 year	**34**	834	**277**	484	**311**	1,318
Between 1 and 2 years	**67**	—	**358**	938	**425**	938
Between 2 and 5 years	**239**	127	**—**	—	**239**	127
	340	961	**635**	1,422	**975**	2,383
Less: amounts due within one year included under current liabilities	**(34)**	(834)	**(277)**	(484)	**(311)**	(1,318)
Non-current portion	**306**	127	**358**	938	**664**	1,065
Interest rates per annum	**3.03% - 4.35%**	3.94% - 4.35%	**4.65% - 5.20%**	4.65% - 5.20%		

All of the loans from an intermediate holding company and the ultimate holding company are denominated in Renminbi, interest bearing at fixed rate at the interest rates as set out above and unsecured.

32. OTHER FINANCIAL LIABILITIES

	2015 HK$'million	2014 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	**551**	512
– fixed rate	**149**	—
Unsecured long-term fixed rate bank loans	**90**	—
Long-term variable rate bank loans		
– unsecured	**686**	1,191
– secured (Note (a))	**4,375**	4,509
	5,851	6,212
Loans from a non-controlling equity holder of a subsidiary (Note (d))	**364**	361
Notes payable (Note (e))		
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	—	3,878
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,542**	1,541
– US$200 million, 3.5% guaranteed listed notes maturing in 2020	**1,541**	—
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,830**	3,828
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	**3,851**	—
– RMB400 million, 5% unlisted notes maturing in 2015	—	507
– RMB200 million, 3.44% unlisted notes maturing in 2016	**239**	—
– RMB300 million, 4.9% unlisted notes maturing in 2016	**358**	—
– RMB500 million, 5.28% unlisted notes maturing in 2017	—	631
– RMB500 million, 5.6% unlisted notes maturing in 2018	**594**	630
	11,955	11,015
Total	**18,170**	17,588
Less: amounts due within one year included under current liabilities	**(1,489)**	(5,357)
Non-current portion	**16,681**	12,231

32. OTHER FINANCIAL LIABILITIES (Continued)

Notes:

(a) As at 31 December 2015, the following assets are pledged against the Group's secured bank loans:

	2015 HK$'million	2014 HK$'million
Property, plant and equipment (note 17(b))	—	31
Land use rights (note 19(b))	—	7
	—	38

(b) In addition to note (a), the entire shareholdings in two (2014: two) subsidiaries, owned by the Company and its subsidiary as at 31 December 2015, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(c) Listed notes issued by subsidiaries of the Company of HK$10,764 million (2014: HK$9,247 million) are secured by corporate guarantees provided by the Company.

(d) The amounts are unsecured, interest-bearing at fixed rate at 4.65% (2014: 4.65%) per annum and no balance is required to be repaid within twelve months from the end of the reporting period. Accordingly, the entire balances are classified as non-current.

(e) All of the note payables are issued by subsidiaries of the Company. The effective interest rates are as follows:

	2015	2014
US$500 million, 5.375% guaranteed listed notes maturing in 2015	N/A	5.47%
US$200 million, 7.125% guaranteed listed notes maturing in 2018	7.36%	7.36%
US$200 million, 3.5% guaranteed listed notes maturing in 2020	3.64%	N/A
US$500 million, 5% guaranteed listed notes maturing in 2022	5.22%	5.22%
US$500 million, 4.75% guaranteed listed notes maturing in 2025	4.83%	N/A
RMB400 million, 5% unlisted notes maturing in 2015	N/A	5.30%
RMB200 million, 3.44% unlisted notes maturity in 2016	3.60%	N/A
RMB300 million, 4.9% unlisted notes maturing in 2016	5.23%	N/A
RMB500 million, 5.28% unlisted notes maturing in 2017	N/A	5.63%
RMB500 million, 5.6% unlisted notes maturing in 2018	5.95%	5.95%

(f) As at 31 December 2015, the Group has undrawn bank loan facilities amounting to HK$11,569 million (2014: HK$12,762 million), of which HK$8,985 million (2014: HK$10,692 million) and HK$2,584 million (2014: HK$2,070 million) are committed and uncommitted credit facilities respectively.

(g) The other financial liabilities as at 31 December 2015 and 2014 are repayable as follows:

	Bank loans		Listed notes payable		Unlisted notes payable		Loans from a non-controlling equity holder of a subsidiary		Total	
	2015 HK$'million	2014 HK$'million	2015 HK$'million	2014 HK$'million	2015 HK$'million	2014 HK$'million	2015 HK$'million	2014 HK$'million	2015 HK$'million	2014 HK$'million
Within 1 year	892	972	—	3,878	597	507	—	—	1,489	5,357
Between 1 and 2 years	703	687	—	—	—	—	—	—	703	687
Between 2 and 5 years	1,401	1,508	3,083	1,541	594	1,261	—	—	5,078	4,310
Within 5 years	2,996	3,167	3,083	5,419	1,191	1,768	—	—	7,270	10,354
More than 5 years	2,855	3,045	7,681	3,828	—	—	364	361	10,900	7,234
	5,851	6,212	10,764	9,247	1,191	1,768	364	361	18,170	17,588

32. OTHER FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

(h) The effective interest rates of bank loans at the end of the reporting period are as follows:

	2015	2014
Hong Kong dollar	**1.56% to 2.41%**	1.53% to 4.24%
Renminbi	**3.92% to 5.62%**	6.05% to 6.72%
Euro	**3.72% to 5.78%**	3.88% to 5.46%
United States dollar	**3.52%**	2.67% to 3.86%

(i) The carrying amounts of other financial liabilities are denominated in the following currencies:

	2015 HK$'million	2014 HK$'million
Hong Kong dollar	**503**	660
Renminbi	**2,164**	2,844
Euro	**2,415**	2,254
United States dollar	**13,088**	11,830
	18,170	17,588

33. OTHER NON-CURRENT LIABILITIES

Included in the balance of other non-current liabilities is the minimum guaranteed royalty and premium provision (the "Royalty Provision") of HK$964 million (2014: HK$1,058 million) under a Build-Operate-Transfer Agreement (the "BOT Agreement") with Sri Lanka Ports Authority ("SLPA") due by a non-wholly-owned subsidiary, Colombo International Container Terminals Limited, to SLPA.

The BOT Agreement was entered into in 2011 for the right to construct, operate, manage and develop Colombo South Container Terminal for 35 years.

The current portion of the Royalty Provision amounted to HK$109 million (2014: HK$15 million) is included in creditors and accruals in current liabilities. The initial recognition of the Royalty Provision is determined by discounting the future annual guaranteed cash flows at the then market rate.

34. DEFERRED TAXATION

The movement in the net deferred tax assets and liabilities is as follows:

	2015 HK$'million	2014 HK$'million
As at 1 January	**(2,150)**	(1,828)
Exchange adjustments	**102**	50
Charged to consolidated statement of profit or loss (note 13)	**(196)**	(204)
Charged to other comprehensive income (note 13)	**(166)**	(168)
Disposal of subsidiaries (note 37)	**118**	—
As at 31 December	**(2,292)**	(2,150)

34. DEFERRED TAXATION (Continued)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$820 million (2014: HK$997 million) to be carried forward against future taxable income. The entire amount (2014: HK$950 million) expires in the following years:

	2015 HK$'million	2014 HK$'million
2015	—	74
2016	**120**	193
2017	**102**	143
2018	**234**	266
2019	**201**	274
2020	**163**	—
	820	950

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Withholding tax relating to unremitted earnings		Accelerated tax depreciation allowance		Fair value gains		Total	
	2015 HK$'million	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million
As at 1 January	**(1,030)**	(884)	**(854)**	(915)	**(324)**	(150)	**(2,208)**	(1,949)
Exchange adjustments	**57**	—	**49**	50	—	—	**106**	50
(Charged)/credited to consolidated statement of profit or loss	**(207)**	(146)	**24**	11	—	(6)	**(183)**	(141)
Charged to other comprehensive income	—	—	—	—	**(166)**	(168)	**(166)**	(168)
Disposal of subsidiaries	—	—	**59**	—	**59**	—	**118**	—
As at 31 December	**(1,180)**	(1,030)	**(722)**	(854)	**(431)**	(324)	**(2,333)**	(2,208)

34. DEFERRED TAXATION (Continued)

Deferred tax assets

	Provision		Others		Total	
	2015 HK$'million	2014 HK$'million	**2015 HK$'million**	2014 HK$'million	**2015 HK$'million**	2014 HK$'million
As at 1 January	**21**	68	**37**	53	**58**	121
Exchange adjustments	**(3)**	—	**(1)**	—	**(4)**	—
(Charged)/credited to consolidated statement of profit or loss	**(14)**	(47)	**1**	(16)	**(13)**	(63)
As at 31 December	**4**	21	**37**	37	**41**	58

35. CREDITORS AND ACCRUALS

	2015 HK$'million	2014 HK$'million
Trade creditors (Note (a))	**271**	269
Amount due to an intermediate holding company (Note (b))	—	8
Amounts due to fellow subsidiaries (Note (b))	**115**	170
Receipt in advance for disposal of ownership interest in subsidiaries without loss of control (Note (c))	—	560
	386	1,007
Other payables and accruals	**2,196**	2,087
	2,582	3,094

Notes:

(a) The ageing analysis of the trade creditors is as follows:

	2015 HK$'million	2014 HK$'million
Not yet due	**160**	110
Days overdue		
– 1 - 90 days	**70**	72
– 91 - 180 days	**5**	31
– 181 - 365 days	**2**	8
– Over 365 days	**34**	48
	271	269

(b) The amounts are unsecured and interest free. Amounts due to fellow subsidiaries are repayable on demand and amount due to an intermediate holding company was settled during the year.

(c) The sums of EUR55 million (equivalent to HK$560 million) received from the buyer in 2014 in relation to the disposal of OKIL as set out in note 20(c) was recognised as a liability in the consolidated statement of financial position of the Group as at 31 December 2014. The transaction has been completed during the year.

36. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operations:

	2015 HK$'million	2014 HK$'million
Operating profit	**2,981**	2,591
Adjustments for:		
Depreciation and amortisation	**1,392**	1,261
Gain on deemed disposal of interests in associates and a joint venture	**(399)**	—
Gain on disposal of subsidiaries	**(52)**	—
Gain on disposal of land use rights and property, plant and equipment	**(22)**	(59)
Gain on partial disposal of an associate	**(2)**	—
Increase in fair value of investment properties	**(3)**	(22)
Increase in fair value of financial asset at fair value through profit or loss	—	(22)
Impairment loss on goodwill and intangible assets	—	216
Operating profit before working capital changes	**3,895**	3,965
Increase in inventories	**(12)**	(14)
Decrease/(increase) in debtors, deposits and prepayments	**77**	(184)
Increase in creditors and accruals	**259**	85
Net cash inflow generated from operations	**4,219**	3,852

37. DISPOSAL OF SUBSIDIARIES

In January 2015, the Group completed the disposal of the entire issued share capital of, and the entire amount of the shareholders' loan advanced by the Group to, SAH, for an aggregate cash consideration of HK$760 million to a wholly-owned subsidiary of CMG.

In October 2015, the Group also completed the disposal of the entire issued share capital of, and the entire amount of shareholders' loan advanced by the Group to, Universal Sheen Investment Limited ("USL") for a cash consideration of HK$1,426 million to another wholly-owned subsidiary of CMG, which is also an intermediate holding company of the Company.

37. DISPOSAL OF SUBSIDIARIES (Continued)

The aggregate amounts of assets and liabilities attributable to SAH and USL as known by the management of the Company on the respective dates of the disposals were as follows:

	HK$'million
Analysis of the aggregate assets and liabilities of SAH and USL over which control was lost:	
Goodwill	165
Land use rights	25
Property, plant and equipment	408
Investment properties	1,434
Other non-current assets	59
Inventories	41
Financial asset at fair value through profit or loss	580
Debtors, deposits and prepayments	151
Cash and bank balances	23
Creditors and accruals	(114)
Loans from an intermediate holding company	(172)
Amounts due to immediate holding company	(2,068)
Other financial liabilities	(61)
Other non-current liabilities	(15)
Deferred tax liabilities	(118)
Taxation payable	(16)
Net assets disposed of	322
Aggregate gain on disposal of subsidiaries:	
Consideration received	2,186
Net assets disposed of	(322)
Assignment of shareholder's loan	(2,068)
Non-controlling interests	221
Cumulative exchange differences reclassified to profit or loss upon disposals	35
Gain on disposals	52
Net cash inflows arising on disposals:	
Cash consideration	2,186
Less: Cash and bank balances disposed of	(23)
	2,163

38. ACQUISITION OF A SUBSIDIARY

Pursuant to a capital injection agreement entered into among a wholly-owned subsidiary of the Company, an independent third party and 廣東頤德港口有限公司 (Guangdong Yide Port Limited, being an unofficial English name) ("Yide Port"), the Group agreed to inject RMB55 million (equivalent to HK$69 million) (the "Injected Capital") to Yide Port and Yide Port agreed to raise its capital by the same amount. The Injected Capital represents 51% of Yide Port's total capital immediately after injection. Yide Port is a limited liability company established in the PRC principally engaged in port operations.

The transaction was completed in July 2015 and the fair value of the identifiable assets acquired and liabilities assumed for Yide Port as at the completion date was amounted to HK$135 million.

	HK$'million
Consideration satisfied in cash	**69**
Fair value of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (note 17)	**137**
Cash and bank balances	**115**
Debtors, deposits and prepayments	**94**
Other financial liabilities	**(139)**
Creditors and accruals	**(72)**
Total identifiable net assets	**135**
Non-controlling interests	**(66)**
	69
Net cash inflow arising in the acquisition:	
Cash consideration paid	**(69)**
Add: Cash and bank balances acquired	**115**
	46

The non-controlling interest in Yide Port recognised at the acquisition date was measured by reference to the fair value of the identifiable assets acquired and liabilities assumed and amounted to HK$66 million.

Yide Port contributed no revenue and incurred operating expenses of HK$2 million for the year ended 31 December 2015 since the completion of the acquisition.

Had Yide Port been consolidated from 1 January 2015, there would have been no change to the Group's profit attributable to the equity holders of the Company and the revenue of the Group shown in the consolidated statement of profit or loss.

39. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments for property, plant and equipment, intangible assets and land use rights

	2015 HK$'million	2014 HK$'million
Group:		
Contracted but not provided for		
– Property, plant and equipment and intangible assets	**1,542**	2,243
– Land use rights	—	104
	1,542	2,347
Joint ventures:		
Contracted but not provided for		
– Property, plant and equipment	**402**	349
	1,944	2,696

(b) Capital commitments for investments

	2015 HK$'million	2014 HK$'million
Group:		
Contracted but not provided for		
– Ports projects	**581**	730
– Investment in an available-for-sale investment	**4**	—
– Investment in a subsidiary and an associate	**58**	—
– Acquisition of a subsidiary	**1,846**	—
	2,489	730

39. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Commitments under operating leases

As at 31 December 2015, the Group has future aggregate minimum lease payments under non-cancellable operating leases for property, plant and equipment and land use rights as follows:

	2015 HK$'million	2014 HK$'million
Within one year	**164**	261
In the second to fifth year inclusive	**311**	429
After the fifth year	**1,738**	1,817
	2,213	2,507

(d) Future operating lease receivables

As at 31 December 2015, the Group has future aggregate lease receivables under non-cancellable operating leases for property, plant and equipment as follows:

	2015 HK$'million	2014 HK$'million
Within one year	**103**	123
In the second to fifth year inclusive	**139**	165
After the fifth year	**35**	46
	277	334

(e) Contingent liabilities

As at 31 December 2015, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK$217 million (2014: HK$196 million) arising from the above loan facilities and other obligations.

The directors assessed the risk of default of the associate in serving the aforesaid loan facilities and other obligations at the end of the reporting period and considered the risk to be insignificant and it is not likely that any guaranteed amount will be claimed by this other shareholder.

40. RELATED PARTY TRANSACTIONS

The directors regard CMG, a stated-owned enterprise registered in the PRC and is controlled by the PRC Government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions as at 31 December 2015 are as follows:

(a) Balances and transactions with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group")

	Note	**2015 HK$'million**	2014 HK$'million
Rental income from	(i)		
– an intermediate holding company		**36**	44
– fellow subsidiaries		**3**	5
– associates		**15**	18
Rental expenses paid to	(i)		
– an intermediate holding company		**1**	1
– fellow subsidiaries		**123**	126
– associates		**81**	66
Service income from	(ii)		
– fellow subsidiaries		**61**	43
– joint ventures		**137**	153
– associates		**54**	7
Service fees paid to	(iii)		
– fellow subsidiaries		**32**	47
– joint ventures		**27**	20
– an associate		**—**	3
Interest expenses and upfront fees paid to	(iv)		
– ultimate holding company		**65**	71
– an intermediate holding company		**47**	34
– a shareholder		**—**	149

40. RELATED PARTY TRANSACTIONS (Continued)

(a) Balances and transactions with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (Continued)

Notes:

(i) The Group rented certain vessels and properties from and leased office premises to the CMG Group. Rental income or expenses were charged at a fixed amount per month in accordance with respective tenancy agreements.

(ii) The ports and logistics service fees were charged with reference to market rates.

(iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management and paint shipping services to the Group. The service fees were charged with reference to market rates.

(iv) Interest expenses were charged at interest rate as specified in note 31 to the consolidated financial statements on the outstanding amounts due to the ultimate and an intermediate holding companies.

(v) During the year ended 31 December 2015, the Company entered into a share purchase agreement with an intermediate holding company of the Company, pursuant to which the Company agreed to sell the entire issued share capital of USL and to assign the shareholder's loan to the intermediate holding company. The total consideration is HK$1,426 million.

The Company also entered into a share purchase agreement with a wholly-owned subsidiary of CMG, the ultimate holding company of the Company, pursuant to which the Company agreed to sell the entire issued share capital of SAH and to assign the shareholder's loan to the wholly-owned subsidiary of CMG. The total consideration is HK$760 million.

(vi) During the year ended 31 December 2015, a wholly-owned subsidiary of the Group transferred certain assets to a joint venture at a consideration of HK$74 million.

During the year ended 31 December 2014, a wholly-owned subsidiary and a non-wholly-owned subsidiary of the Group transferred certain assets to joint ventures at an aggregate consideration of HK$250 million.

(vii) During the year ended 31 December 2014, a wholly-owned subsidiary of the Group entered into a compensation agreement with a fellow subsidiary, pursuant to which the Group would demolish and relocate certain properties erected on the land to be returned to the fellow subsidiary for an aggregate amount of RMB112 million (equivalent to HK$141 million).

(viii) During the year ended 31 December 2015, a non-wholly-owned subsidiary of the Company completed a transaction with a fellow subsidiary for acquisition of a land use right located in Zhangzhou, the PRC, at a consideration of HK$24 million.

(ix) During the year ended 31 December 2015, a wholly-owned subsidiary of the Company entered into a share purchase agreement with two fellow subsidiaries and Shenzhen Jinyu Rongtai Investment Development Company Limited ("Shenzhen Jinyu"), to acquire 100% equity interest in Shenzhen Jinyu from the fellow subsidiaries. The total consideration is RMB2,047 million (equivalent to HK$2,595 million). The transaction has not yet been completed at the end of the reporting period and the amount paid by the Group as at 31 December 2015 amounting to RMB500 million (equivalent to HK$597 million) was accounted for as deposit for acquisition of a subsidiary set out in note 24.

(x) During the year ended 31 December 2013, a wholly-owned subsidiary of the Company entered into another transaction with a fellow subsidiary for acquisition of a land use right located in Shenzhen, the PRC, at a consideration of HK$17 million. The transaction has not yet been completed at the end of the reporting period and the amount paid by the Group as at 31 December 2015 and 2014 amounting to HK$17 million (2014: HK$17 million) was also accounted for as a prepayment for purchase of non-current assets set out in note 24.

(xi) During the year ended 31 December 2014, a non-wholly-owned subsidiary of the Company completed a transaction with a fellow subsidiary for acquisition of a land use right located in Zhangzhou, the PRC, at a consideration of HK$170 million.

(xii) As at 31 December 2015, the Group placed deposits of HK$4,295 million (2014: HK$4,129 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the year, interest income from CMB amounted to HK$53 million (2014: HK$76 million).

During the year ended 31 December 2015, interest expense paid and payable to CMB amounted to HK$2 million (2014: HK$2 million).

The balances with entities within CMG Group as at 31 December 2015 and 31 December 2014 are disclosed in notes 24, 26, 31 and 35 to the consolidated financial statements.

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in the Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC Government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

(c) Balance and transaction with a non-controlling equity holder of a subsidiary:

	2015 HK$'million	2014 HK$'million
Interest expense paid (Note)	**16**	15

Note: Interest expense was charged at interest rate as specified in note 32 to the consolidated financial statements on the outstanding loans from non-controlling equity holder of a subsidiary.

The balances with a non-controlling equity holder of a subsidiary as at 31 December 2015 and 2014 are disclosed in note 32 to the consolidated financial statements.

(d) Key management compensation

	2015 HK$'million	2014 HK$'million
Salaries and other short-term employee benefits	**14**	16

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists only those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2015 %	2014 %	2015 %	2014 %	
China Merchants Container Services Limited	Hong Kong	HK$500,000	–	–	**100.00**	100.00	Provision of container terminal services and ports transportation
China Merchants (CIMC) Investment Limited	Hong Kong	HK$10,000	**100.00**	100.00	–	–	Investment holding and securities trading
China Merchants International Terminals (Ningbo) Limited	British Virgin Islands	US$1	**100.00**	100.00	–	–	Investment holding
China Merchants International Container Terminal (Qingdao) Co., Ltd. (Note (a))	PRC	US$206,300,000	–	–	**100.00**	100.00	Provision of container terminal services and ports transportation
China Merchants International Terminal (Qingdao) Company Ltd. (Note (b))	PRC	US$44,000,000	–	–	**90.10**	90.10	Port, container terminal and logistic business
China Merchants Bonded Logistics Co., Limited (Note (a))	PRC	RMB700,000,000	–	–	**78.26**	78.26	Provision of container related logistics services
China Merchants Port Services (Shenzhen) Company Limited (Note (a))	PRC	RMB550,000,000	–	–	**100.00**	100.00	Provision of terminal services and ports transportation
CMH International (China) Investment Co., Ltd. (Note (a))	PRC	US$30,000,000	**100.00**	100.00	–	–	Investment holding
Colombo International Container Terminal Limited	Republic of Sri Lanka	US$150,000,088	**85.0**	85.00	–	–	Provision of container terminal services
Kangxin Logistics (Harbin) Co., Ltd. (Notes (a) and (e))	PRC	US$5,000,000	–	–	–	51.00	Provision of cold storage services
Kangxin Logistics (Tianjin) Co., Ltd. (Notes (a) and (e))	PRC	US$5,619,300	–	–	–	51.00	Provision of cold storage services and logistic services
Lome Container Terminal S.A. (Note (c))	Togolese Republic	XOF200,000,000	–	–	**35.00**	50.00	Provision of container terminal services

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2015 %	Directly 2014 %	Indirectly 2015 %	Indirectly 2014 %	Principal activities
Mega Shekou Container Terminals Limited	British Virgin Islands	US$120	–	–	**80.00**	80.00	Investment holding
Rich Products (Tianjin) Co., Ltd. (Notes (a) and (e))	PRC	US$5,000,000	–	–	–	51.00	Holding a piece of land in Tianjin, PRC
Shekou Container Terminals Ltd. (Note (a))	PRC	HK$618,201,150	–	–	**80.00**	80.00	Operation of berth No. 1 & 2 in Shekou, PRC
Shekou Container Terminals (Phase II) Company Limited (Note (a))	PRC	RMB608,549,000	–	–	**80.00**	80.00	Operation of berth No. 3 & 4 in Shekou, PRC
Shekou Container Terminals (Phase III) Company Limited (Note (a))	PRC	RMB1,276,000,000	–	–	**80.00**	80.00	Operation of berth No. 5 to No.9 in Shekou, PRC
Shenzhen Chiwan Wharf Holdings Limited (A, B Shares listed in the Mainland China) (Note (d))	PRC	RMB644,763,730	–	–	**45.66**	45.66	Port operations
Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. (Note (b))	PRC	RMB3,000,000	–	–	**100.00**	100.00	Provision of services on ports construction
Shenzhen Haixing Harbour Development Company Ltd. (Note (b))	PRC	US$15,151,500	–	–	**67.00**	67.00	Provision of container terminal services
Shenzhen Huxing Tug Service Co., Ltd (Note (b) and (e))	PRC	RMB2,000,000	–	–	–	55.00	Operation of tugboats
Shenzhen Mawan Port Service Co., Ltd. (Note (b))	PRC	RMB200,000,000	–	–	**83.70**	83.70	Operation of berth No. 5 in Mawan, Shenzhen, PRC
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	–	–	**83.70**	83.70	Operation of berths No. 6 & No. 7 in Mawan, Shenzhen, PRC
Shenzhen Mawan Wharf Co., Ltd. (Note (b))	PRC	RMB200,000,000	–	–	**83.70**	83.70	Operation of berth No. 0 in Mawan, Shenzhen, PRC
Universal Sheen Investment Limited (Note (e))	Hong Kong	HK$100	–	100.00	–	–	Property holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2015 %	Directly 2014 %	Indirectly 2015 %	Indirectly 2014 %	Principal activities
Xia Men Bay China Merchants Terminals Co., Ltd. (Notes (b) and (d))	PRC	RMB80,000,000	–	–	**31.00**	31.00	Provision of container terminal services and ports transportation
Zhangzhou China Merchants Port Co., Ltd. (Note (b))	PRC	RMB1,000,000,000	–	–	**60.00**	60.00	Operation of berths No. 3 to No. 6 in the Zhangzhou Economic Development Zone, Fujian Province, PRC
Zhangzhou China Merchants Tugboat Company Limited (Note (b))	PRC	RMB15,000,000	–	–	**70.00**	70.00	Operation of tugboats in the Zhangzhou Economic Development Zone, Fujian Province, PRC
招商局國際信息技術有限公司 (Note (b))	PRC	RMB50,000,000	**76.84**	76.84	**10.57**	10.57	Provision of computer network services
安通捷碼頭倉儲服務(深圳)有限公司 (Note (a))	PRC	HK$100,000,000	–	–	**100.00**	100.00	Holding of a piece of land in Shekou, PRC
安速捷碼頭倉儲服務(深圳)有限公司 (Note (a))	PRC	HK$100,000,000	–	–	**100.00**	100.00	Holding of a piece of land in Shekou, PRC
安運捷碼頭倉儲服務(深圳)有限公司 (Note (a))	PRC	RMB60,600,000	–	–	**80.00**	80.00	Holding of certain pieces of land in Shekou, PRC
廣東頤德港口有限公司 (Note (b) and (f))	PRC	RMB216,000,000	–	–	**51.00**	–	Port operations

Notes:

(a) Foreign investment enterprises

(b) Sino-foreign joint ventures

(c) This entity is considered to be a subsidiary of the Company despite the Group holds effective equity interest of 35% (2014: 50%) therein as the Group has the power to appoint and remove the majority of the executive committee of the entity, which is empowered to direct the relevant activities of control of the investee by virtue of the shareholders' agreement.

(d) These entities are considered to be subsidiaries of the Company despite the Group holds less than half of the equity interest therein as the Group has the power to appoint and remove the majority of the board of directors of the relevant entities and holds more than half of the voting rights at the relevant shareholders' meetings of the respective entity by virtue of agreements with other investors.

(e) Disposed of during the year.

(f) Acquired during the year.

42. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of ownership interest indirectly held by the Company 2015 %	2014 %	Principal activities
Asia Airfreight Terminal Company Limited	Hong Kong	**20.00**	20.00	Airfreight services
China International Marine Containers (Group) Co., Ltd. (shares listed on the HKSE and the Shenzhen Stock Exchange)	PRC	**23.08**	25.54	Design, manufacture and sales of dry freight containers and refrigerated containers, road transportation vehicle, energy, chemical and food equipment and offshore engineering
China Nanshan Development (Group) Incorporation	PRC	**37.01**	37.01	Investment holding
Chu Kong River Trade Terminal Co., Limited	British Virgin Islands	**20.00**	20.00	Provision of shuttle-barge ports services
Modern Terminals Limited	Hong Kong	**27.01**	27.01	Provision of container terminal services and warehouse services
Port de Djibouti S.A.	Republic of Djibouti	**23.50**	23.50	Operations of seaports and terminals and port related business in Djibouti
Shanghai International Port (Group) Co., Ltd. (A shares listed in the Mainland China) (Note (a))	PRC	**24.05**	24.49	Ports and container terminal business and related services
Shenzhen Tiehe Storage & , Transportation Co. Ltd. (Note (b))	PRC	—	45.00	Provision of logistics and storage services
Terminal Link SAS	French Republic	**49.00**	49.00	Operations of container terminals in Europe, Mediterranean Basil, Africa, Americas and Asia
Tianjin Haitian Bonded Logistics Co., Ltd. (Note (a))	PRC	**49.00**	49.00	Provision of container terminal services and warehouse services
Tin-Can Island Container Terminal Ltd.	Federal Republic of Nigeria	**28.50**	28.50	Provision of container terminal services

Notes:

(a) Sino-foreign joint ventures

(b) Deregistered during the year

43. PARTICULARS OF PRINCIPAL JOINT VENTURES

Name of joint venture	Issued capital/ registered capital	Proportion of ownership interest held by the Company indirectly 2015 %	2014 %	Principal activities
Ningbo Daxie China Merchants International Terminals Co., Ltd (Note (a))	RMB1,209,090,000	**45.00**	45.00	Ports and container terminal business
Qingdao Qianwan United Container Terminal Co., Ltd.	RMB2,000,000,000	**50.00**	50.00	Ports and container terminal business
Qingdao Qianwan West Port United Terminal Co., Ltd.	RMB500,000,000	**49.00**	49.00	Ports and bulk cargo terminal business
Regional Merchants International Freight Forwarding Co., Ltd. (Note (a))	HK$12,000,000	**20.00**	20.00	Provision of transportation service
Regional Merchants Maritime Limited (Note (a))	HK$8,000,000	**20.00**	20.00	Provision of shipping service
Zhanjiang Port (Group) Co., Ltd. (Note (a))	RMB4,020,690,955	**40.29**	40.29	Ports and container terminal business
Qingdao Port Dongjiakou Ore Terminal Co., Ltd (Note (a))	RMB1,400,000,000	**25.00**	25.00	Ports and bulk cargo terminal business
Euro-Asia Oceangate S.ar.l. (Note (b))	USD940,141,587.60	**40.00**	—	Ports and container terminal business

Notes:

(a) Sino-foreign joint ventures

(b) Established during the year

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'million	2014 HK$'million
ASSETS		
Non-current assets		
Property, plant and equipment	**478**	2
Interests in subsidiaries	**39,888**	37,643
Prepayment	**6**	—
	40,372	37,645
Current assets		
Debtors, deposits and prepayments	**7**	97
Advances to subsidiaries	**3,921**	4,720
Cash and bank balances	**7,490**	6,869
	11,418	11,686
Total assets	**51,790**	49,331
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**18,994**	17,918
Mandatory convertible securities	**15,224**	15,280
Reserves (Note)	**4,926**	5,947
Proposed dividend (Note)	**1,429**	1,411
Total equity	**40,573**	40,556
LIABILITIES		
Non-current liabilities		
Advances from subsidiaries	**10,748**	5,265
Other non-current liabilities	—	8
	10,748	5,273
Current liabilities		
Advances from subsidiaries	**397**	3,449
Creditors and accruals	**72**	53
	469	3,502
Total liabilities	**11,217**	8,775
Total equity and liabilities	**51,790**	49,331
Net current assets	**10,949**	8,184
Total assets less current liabilities	**51,321**	45,829

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Mr. Li Xiaopeng	**Mr. Bai Jingtao**
DIRECTOR	*DIRECTOR*

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: The reserves of the Company at 31 December 2015 and 2014 are as follows:

	Share premium HK$'million	Share-based compensation reserve HK$'million	Capital reserve HK$'million (Note (i))	Retained earnings HK$'million (Note (ii))	Total HK$'million
As at 1 January 2015	—	**76**	**2,340**	**4,942**	**7,358**
Transfer upon exercise of share options	—	**(28)**	—	—	**(28)**
Profit for the year	—	—	—	**2,075**	**2,075**
Dividends paid	—	—	—	**(1,983)**	**(1,983)**
Distribution to MCS holders	—	—	—	**(1,067)**	**(1,067)**
As at 31 December 2015	—	**48**	**2,340**	**3,967**	**6,355**
Retained earnings as at 31 December 2015 representing:					
Reserves				**2,538**	
Proposed dividend				**1,429**	
				3,967	
As at 1 January 2014	16,713	190	2,340	3,579	22,822
Issue of shares on exercise of share options, net of share issue expenses of negligible amount	7	—	—	—	7
Transfer from share premium upon abolition of par value (Note (iii))	(16,720)	—	—	—	(16,720)
Transfer upon lapse of share options	—	(114)	—	2	(112)
Profit for the year	—	—	—	3,922	3,922
Dividends paid	—	—	—	(1,950)	(1,950)
Distribution to MCS holders	—	—	—	(611)	(611)
As at 31 December 2014	—	76	2,340	4,942	7,358
Retained earnings as at 31 December 2014 representing:					
Reserves				3,531	
Proposed dividend				1,411	
				4,942	

Notes:

(i) The Company's capital reserve, which arose in 1998 upon reduction of share premium as confirmed by the order of the High Court of the Hong Kong Special Administrative Region, is a non-distributable reserve and may be applied by the Company in paying up its unissued shares to be allotted to members of the company as fully paid bonus shares.

(ii) Profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of HK$2,075 million (2014: HK$3,922 million).

(iii) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014.

45. EVENTS AFTER THE REPORTING PERIOD

Acquisition of an associate principally engaged in terminal and related logistic services

On 12 January 2016, the Company entered into a share purchase agreement with, among others, Dalian Port (PDA) Company Limited ("Dalian Port"), a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on HKSE and the Shanghai Stock Exchange, pursuant to which Dalian Port agreed to allot and issue, and the Company agreed to subscribe for 1,180,320,000 shares of Dalian Port (the "Subscription Shares") for a total consideration of HK$4,332 million. The Subscription Shares represent approximately 21.05% of the issued share capital of Dalian Port as enlarged by the allotment and issuance of the Subscription Shares.

The transaction has been completed subsequent to the end of the reporting period and the Company is in the process to determine the financial impacts of the transaction to the Group.

Corporate Information

BOARD OF DIRECTORS

Mr. Li Jianhong *(Chairman)*
(resigned on 18 February 2016)
Mr. Li Xiaopeng *(Chairman)*
(appointed as Chairman on 18 February 2016)
Mr. Hu Jianhua *(Vice Chairman)*
(retired as Managing Director on 16 April 2015 and appointed as Vice Chairman on 18 February 2016)
Mr. Li Yinquan (resigned on 13 March 2015)
Mr. Hu Zheng (resigned on 13 March 2015)
Mr. Meng Xi (resigned on 13 March 2015)
Mr. Su Xingang (resigned on 18 February 2016)
Mr. Fu Gangfeng (appointed on 1 June 2015)
Mr. Yu Liming
Mr. Wang Hong
Mr. Deng Renjie (appointed on 1 June 2015)
Mr. Bai Jingtao *(Managing Director)*
(appointed on 1 June 2015)
Mr. Wang Zhixian (appointed on 18 February 2016)
Mr. Zheng Shaoping
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis*

* independent non-executive director

REGISTERED OFFICE

38th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Development Bank
China Merchants Bank
Industrial and Commercial Bank of China

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Linklaters
Vincent T.K. Cheung, Yap & Co.

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

WEBSITE

http://www.cmhi.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Merchants Holdings (International) Company Limited (the "**Company**") will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 3 June 2016 at 9:30 a.m. for the following purposes:

1 To receive and consider the Audited Consolidated Financial Statements for the year ended 31 December 2015 together with the Report of the Directors and the Independent Auditor's Report.

2 To declare a final dividend of 55 HK cents per share for the year ended 31 December 2015 in scrip form with cash option.

3 A. Each as a separate resolution, to re-elect the following retiring directors of the Company (the "**Directors**"):

(a) To re-elect Mr. Hu Jianhua as a Director;

(b) To re-elect Mr. Fu Gangfeng as a Director;

(c) To re-elect Mr. Deng Renjie as a Director;

(d) To re-elect Mr. Bai Jingtao as a Director;

(e) To re-elect Mr. Wang Zhixian as a Director;

(f) To re-elect Mr. Kut Ying Hay as a Director;

(g) To re-elect Mr. Lee Yip Wah Peter as a Director;

(h) To re-elect Mr. Li Kwok Heem John as a Director; and

(i) To re-elect Mr. Li Ka Fai David as a Director.

B. To authorise the board of Directors (the "**Board**") to fix the remuneration of the Directors.

4 To re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company and to authorise the Board to fix its remuneration.

5 To consider and, if thought fit, to pass with or without modifications the following resolutions as ordinary resolutions:

Ordinary Resolutions

A. "**THAT**:

(a) subject to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the terms and conditions of the share option scheme adopted by the shareholders of the Company on 9 December 2011 (the "**Share Option Scheme**"), a mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (c) below) all the powers of the Company to grant options to subscribe for shares of the Company and/or to make or grant offers of options under the Share Option Scheme that would or might require shares of the Company to be alloted and/or options to be granted under the Share Option Scheme;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to grant options and/or to make offers of options under the Share Option Scheme which would or might require the exercise of such power after the end of the Relevant Period;

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company's articles of association (the "**Articles of Association**") or any applicable laws to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

B. "**THAT**:

(a) subject to paragraph (c) of this Resolution and pursuant to Sections 140 and 141 of the Companies Ordinance, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;

(c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association, shall not exceed 20 per cent. of the total number of shares of the Company in issue as at the date of the passing of this Resoultion (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution) and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

C. “**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to buy back its own shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and recognised by Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the total number of shares of the Company which may be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the total number of the shares of the Company in issue on the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

D. "**THAT** conditional upon Resolutions numbered 5B and 5C set out in the notice convening this meeting being passed, the total number of shares of the Company which are bought back by the Company under the authority granted to the Directors as mentioned in Resolution numbered 5C set out in the notice convening this meeting shall be added to the total number of shares of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution numbered 5B set out in the notice convening this meeting, provided that the number of shares bought back by the Company shall not exceed 10 per cent. of the total number of shares of the Company in issue on the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution)."

6 To consider and, if thought fit, pass with or without modifications the following resolution as a special resolution:

Special Resolution

"**THAT** subject to the approval by the Registrar of Companies in Hong Kong, the name of the Company be and is hereby changed from "China Merchants Holdings (International) Company Limited 招商局國際有限公司" to "China Merchants Port Holdings Company Limited 招商局港口控股有限公司"."

By Order of the Board
China Merchants Holdings (International) Company Limited
Li Xiaopeng
Chairman

Hong Kong, 22 April 2016

Registered Office:
38th Floor, China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened pursuant to the above notice is entitled to appoint one or more proxies to attend, speak and vote in his place. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the meeting or at any adjournment thereof.

3. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 30 May 2016 to 3 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, 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 Friday, 27 May 2016.

   Subject to the approval of the shareholders at the meeting, the proposed final dividend will be despatched to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 10 June 2016. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Friday, 10 June 2016.

4. Concerning resolutions numbered 5B and 5D above, the Board wishes to state that it has no immediate plans to issue any new shares in the Company. The ordinary resolution is being sought from members as a general mandate in compliance with sections 140 and 141 of the Companies Ordinance and the Listing Rules.

5. Concerning resolution numbered 5C above, the Board wishes to state that it has no immediate plans to buy back any existing shares pursuant to the relevant mandate. Approval is being sought from members as a general mandate to be given to the Directors to buy back shares. The Explanatory Statement required by the Listing Rules in connection with the proposed buy-back mandate will be despatched to members together with the notice of the meeting.

6. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the Annual General Meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote at the Annual General Meeting pursuant to Article 54 of the Articles of Association.

7. As at the date of this notice, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Fu Gangfeng, Mr. Yu Liming, Mr. Wang Hong, Mr. Deng Renjie, Mr. Bai Jingtao, Mr. Wang Zhixian 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.

CHINA MERCHANTS HOLDINGS
(INTERNATIONAL) COMPANY LIMITED

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