

招商局



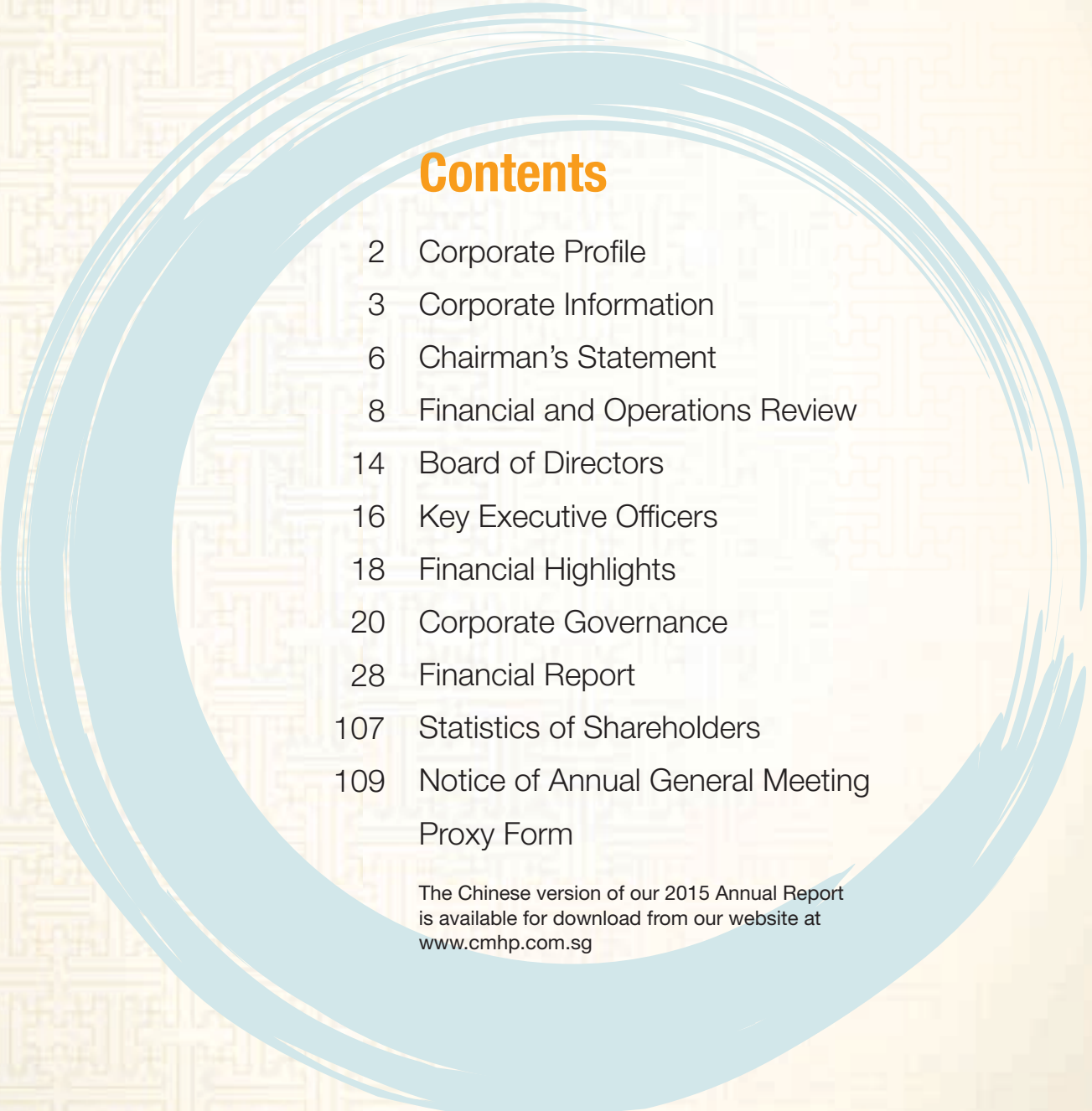
招商局 亚太有限公司
China Merchants Holdings (Pacific) Limited

Gaining
Momentum

蓄势添力

20
15

Annual Report 年报



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The Chinese version of our 2015 Annual Report
is available for download from our website at
www.cmhp.com.sg

Corporate Profile

The Company was incorporated in Singapore as a private limited company under the name Hotel Tai-Pan Pte Ltd on 27 March 1981 and was converted to a public limited company on 11 May 1981. The Company was officially listed on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 17 August 1981. Upon the sale in 1989 of its flagship hotel, then known as Tai-Pan Ramada Hotel, the Company changed its name to HTP Holdings Limited.

China Everbright Holdings Co., Ltd took over the control of the Company in August 1993 and the Company's name was changed to China Everbright Pacific Limited.

In May 2001, China Merchants Holdings (International) Company Limited ("CMHI") acquired a controlling stake in the Company from China Everbright Holdings Co., Ltd and became the single largest shareholder of the Company. The Company further changed its name to China Merchants Holdings (Pacific) Limited so as to directly identify the Company's strong ties with the China Merchants Group.

On 30 December 2004, the Company was transformed into a significant toll road player following the acquisition of equity interests in five toll roads in China from CMHI. The Company is now one of the leading toll road operators in China and is the largest toll road company listed on the SGX-ST. Currently, the Company invests in and operates eight toll roads in China. The eight toll roads totalled approximately 575 kilometres and are located in Zhejiang province, Jiangxi province, Guangxi Zhuang Autonomous Region and Guizhou province in the PRC. These roads are sited on routes connecting destinations that provide traffic growth opportunities.

Currently, China Merchants Huajian Highway Investment Co., Ltd ("Huajian") is the holding company with an equity stake of about 76% of the issued shares in the capital of the Company. Huajian, a wholly-owned subsidiary of China Merchants Group Limited, is one of the largest enterprises in China engaging in toll road investment and management. Huajian manages a portfolio comprising toll roads and bridges with an aggregate length of more than 7,500 km (including approximately 6,800 km of expressway) in 18 provinces including 1 autonomous region and 2 municipalities.

Corporate Structure



**CHINA MERCHANTS
HOLDINGS (PACIFIC) LIMITED**

Corporate Information

DIRECTORS

Mr Luo Hui Lai
(Executive Chairman and Chief Executive Officer)

Mr Zheng Hai Jun
(Non-executive Vice Chairman)

Mr Jiang Yan Fei
(Vice Chairman, General Manager and Chief Operating Officer)

Mr Wang Xiu Feng
(Non-executive Director)

Dr Lim Heng Kow
(Lead Independent Director)

Dr Hong Hai
(Independent Director)

AUDIT COMMITTEE

Dr Lim Heng Kow (Chairman)

Mr Zheng Hai Jun

Dr Hong Hai

NOMINATING COMMITTEE

Dr Lim Heng Kow (Chairman)

Mr Luo Hui Lai

Dr Hong Hai

REMUNERATION COMMITTEE

Dr Hong Hai (Chairman)

Mr Zheng Hai Jun

Dr Lim Heng Kow

COMPANY SECRETARIES

Ms Lim Lay Hoon

Ms Lynn Wan Tiew Leng

REGISTERED OFFICE

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: 6536 5355 Fax: 6536 1360

CORPORATE OFFICE

6 Temasek Boulevard #33-04/05
Suntec Tower Four
Singapore 038986
Tel: 6836 0200 Fax: 6836 4776

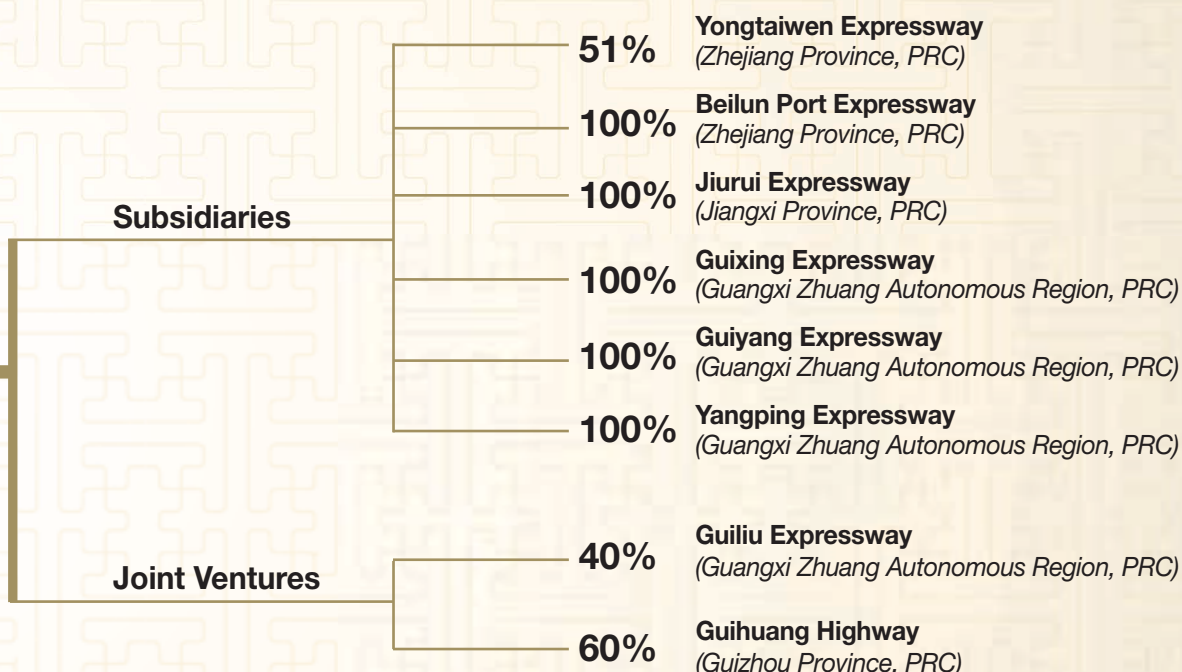
SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: 6536 5355 Fax: 6536 1360

AUDITORS

Mazars LLP
Chartered Accountants of Singapore
135 Cecil Street #10-01
MYP Plaza
Singapore 069536
Partner-in-charge: Mr Tan Chee Tyan
(appointed since financial year ended 31 December 2015)

Corporate Structure



OUR VISION *is to be...*

A leading player in the toll road industry in China





Gaining **Momentum**

蓄勢添力

Chairman's Statement

“I am proud of our strong track record in acquisitions and ability to integrate new toll road assets efficiently.”



DEAR SHAREHOLDERS,

2015 has been another successful year for the Company as we once again delivered remarkable growth in terms of revenue and assets while making progress in positioning our business for the future. The Board has adopted a clearly defined strategy for profitable growth with the exit of the non-core property development business in 2014 in order to create a company fully focused on toll road operations. I believe our progress and the success we have achieved so far have demonstrated we have already delivered substantially against this strategy and thereby creating value for our shareholders.

In 2015, we drove our growth strategy further by completing three strategic acquisitions that complement our existing business and are accretive to growth. The addition of three expressways located in Guangxi Zhuang Autonomous Region (“Guangxi”) to the portfolio represented a critical step forward in our transformation into a larger, faster-growing and more profitable company.

As we enter 2016, we remain focused on driving the operational performance of our enlarged toll road portfolio, cash generation and maximising returns for our shareholders, while investing for future growth.

REVIEW OF RESULTS

For the financial year ended 31 December 2015, the Group achieved a total revenue of HK\$2,207.8 million, up 9% or HK\$188.3 million from HK\$2,019.5 million in the previous financial year. The continuing growth was driven by revenue growth from the Yongtaiwen Expressway and the consolidation of full year revenue from the Jiurui Expressway and contributions from the newly acquired expressways in Guangxi. This was partially offset by lower revenue contribution from the Beilun Port Expressway.

2015 marked the first full year contribution by the Jiurui Expressway to the Group. From 2016 onwards, shareholders can look forward to the full year contribution from the Guixing Expressway, Guiyang Expressway and Yangping Expressway.

Basic earnings per share and diluted earnings per share were 45.43 HK cents and 43.76 HK cents respectively as compared to 85.26 HK cents and 67.31 HK cents in the previous year, representing a decrease of 47% and 35% respectively. The decline in the earnings per share was primarily attributable to the dilutive effect of the preferential offering undertaken in 2015.

The Group's financial position remained strong with total assets of HK\$25,193.4 million and net assets of HK\$12,157.3 million as at 31 December 2015. This translated to a net asset value per share of HK\$5.32. The Group remains highly cash generative, with free cash flow of HK\$1,516 million and generated positive net cash flow from operations of HK\$1,542.1 million in 2015.

SIGNIFICANT DEVELOPMENTS

With the objective to increase the issued share capital base of the Company to reflect the growth and expansion of its business, and at the same time, to recognise and reward shareholders for their continuing support and loyalty, the Company completed a one-for-twenty bonus issue in June 2015. The completion of the bonus issue has increased

the accessibility of an investment in the Company, thereby improving the trading liquidity of the shares, allowing for greater participation by investors and broadening the shareholder base.

In September 2015, the Company successfully raised net proceeds of approximately S\$597.6 million through a non-renounceable non-underwritten preferential offering of 598.2 million new ordinary shares in the capital of the Company at an issue price of S\$1.00 for each new share on the basis of one new share for every two existing ordinary shares in the capital of the Company. The entire net proceeds from the preferential offering have been fully utilised to fund part of the aggregate consideration payable for the acquisitions of the Guixing Expressway, Guiyang Expressway and Yangping Expressway.

We continued to execute our growth strategy in 2015, producing tangible results. We completed the acquisitions of the Guixing Expressway, Guiyang Expressway and Yangping Expressway, which have further enlarged the Group's toll road portfolio as well as extended its presence in Guangxi, one of the fastest-growing regions in the PRC. I am proud of our strong track record in acquisitions and ability to integrate new toll road assets efficiently.

The acquisitions of these three expressways have elevated the Group's scale of operations and marked a significant step forward in our vision to be a leading toll road operator in China. Our toll road portfolio now comprises eight expressways and the total length of expressways operated by the Group has expanded to about 575 km. The average remaining concession period has increased by about 24% from approximately 13.6 years to approximately 16.9 years. Together with the 138 km Guiliu Expressway in which the Group has a 40% equity interest, we have brought our expressway network in Guangxi to a total length of about 298 km. This has enabled us to derive an additional synergy from an expanded network in Guangxi and extended our leadership position both in Guangxi and the PRC.

The Guixing Expressway, Guiyang Expressway and Yangping Expressway are sited on the main routes of Guangxi, connecting destinations that provide traffic growth opportunities. Together with the Guiliu Expressway, they form a mutually open and linked corridor with a total length of 298 km, thus achieving a synergistic effect from an expanded and linked network.

DIVIDENDS

The progress we have made so far as we successfully execute our growth strategy has created significant value for our shareholders. Our consistently strong cash flow has enabled us to reward shareholders with a steady dividend.

To thank our shareholders for their unwavering support and confidence in the Company through the years, the Board

has proposed a final tax exempt dividend of 3.5 Singapore cents a share for the financial year ended 31 December 2015. Together with the interim tax exempt dividend of 3.5 Singapore cents per share paid in 2015, the total dividend payout for the year amounts to 7.0 Singapore cents per share or a dividend payout ratio of approximately 96% of underlying net profit for the year.

The Board aims to maintain the Company's policy of stable dividend payout to shareholders with a long-term commitment to an annual payout ratio of at least 50% of underlying net profit.

THE ROAD AHEAD

I am excited about the future. As our Group grows and expands, I am proud of the achievements we have made thus far, while also recognising that growth opportunities still remain in China notwithstanding that the pace of growth of China's economy is expected to slow down due to structural reforms.

Looking ahead to 2016 and beyond, we will continue the growth momentum by undertaking initiatives to secure new quality toll road assets and strengthen our market position. We remain committed to our strategy of acquiring quality toll road assets and extending our presence in the toll road sector in the PRC. I am confident that with a strong asset platform, coupled with the continued support of the China Merchants Group, we are well positioned to navigate the near-term challenges posed by the slower economic growth in China while continuing to effectively manage our costs and cash flows for long-term, sustainable growth.

The operating environment in China is expected to remain challenging but we believe the fundamentals of the toll road industry in China remain strong. Barring unforeseen circumstances, the Board expects the Group to remain profitable for the forthcoming year. Nonetheless, we will remain vigilant of the uncertainties and volatilities in the global economy and currency movements.

APPRECIATION

Our achievements are possible because we have a team of dedicated and hardworking people. On behalf of the Board, I would like to express my appreciation to the management and staff for their excellent performance in the past year. I would also like to extend our heartfelt thanks to our shareholders, customers, business associates, bankers and the various government agencies for their continued support. My personal thanks also go to my fellow directors for their contribution throughout a busy year in 2015.

Luo Hui Lai

Executive Chairman and Chief Executive Officer

Financial and Operations Review

“Group revenue for 2015 rose by 9% from HK\$2,019.5 million in 2014 to HK\$2,207.8 million in 2015 largely driven by revenue growth from the Yongtaiwen Expressway, the consolidation of full year revenue from the Jiurui Expressway and contributions from the three newly acquired expressways in Guangxi.”

Financial Review

The disposal of the Group's property development business in New Zealand was completed in April 2014. Following the disposal of this non core business, the Group is now wholly involved in toll road business and the Group's revenue and profits are mainly derived from toll road operations and investments.

SEGMENTAL PERFORMANCE

	REVENUE		
	2015 HK\$'000	2014 HK\$'000	Change %
Toll Road Operations	2,198,272	2,014,280	9
Others/Corporate	9,529	5,214	83
Total Group Revenue	2,207,801	2,019,494	9

	PROFIT AFTER TAX		
	2015 HK\$'000	2014 HK\$'000	Change %
Toll Road Operations	971,469	1,021,982	(5)
Property Development (discontinued)	-	64,092	n.m.
Others/Corporate	(13,497)	(26,460)	49
Net Profit for the year	957,972	1,059,614	(10)
Profit attributable to owners of the Company	597,221	739,415	(19)

REVENUE

The Group currently operates eight toll roads. They are the Yongtaiwen Expressway, Beilun Port Expressway, Jiurui Expressway, Guixing Expressway, Guiyang Expressway, Yangping Expressway, Guiliu Expressway and Guihuang Highway. The Yongtaiwen Expressway, Beilun Port Expressway, Jiurui Expressway, Guixing Expressway, Guiyang Expressway and Yangping Expressway are accounted for as subsidiaries while the Guiliu Expressway and Guihuang Highway are accounted for as joint ventures using the equity method. Toll revenue from these two joint ventures is not included in Group revenue and contributions from these two entities are mainly recognised below the operating level.

Group revenue for 2015 rose by 9% from HK\$2,019.5 million in 2014 to HK\$2,207.8 million in 2015 largely driven by revenue growth from the Yongtaiwen Expressway, the consolidation of full year revenue from the Jiurui Expressway and contributions from the three newly acquired expressways in Guangxi Zhuang Autonomous Region (“Guangxi”), partially offset by lower revenue contribution from the Beilun Port Expressway.

Revenue from the Others business segment comprised interest income from fixed deposits with banks.

PROFITABILITY

At the pre-tax profit level, Group pre-tax profit increased 1% to HK\$1,296.1 million from HK\$1,284 million a year ago while at the after-tax profit level, Group net profit of HK\$958 million was 10% lower than that of the corresponding period in 2014. After taking into account non-controlling interests, net profit attributable to shareholders decreased 19% to HK\$597.2 million.

The 2014 results included a profit from the disposal of the Group's property development business of HK\$64.1

million and a negative goodwill of HK\$22.7 million from the acquisition of the Jiurui Expressway. In 2015, the Group recorded a negative goodwill of HK\$8.4 million from acquisitions. Excluding the impact from the above exceptional items, net profit attributable to shareholders for 2015 would have registered a decline of 10%.

Contribution to net profit attributable to shareholders by the Group's toll road assets for 2015 (excluding mainly finance costs, exchange losses and other non-recurring expenses) amounted to HK\$775 million, an increase of 5% from the HK\$736.6 million achieved a year ago.

The Yongtaiwen Expressway and Beilun Port Expressway both posted an increase in net profit contribution in 2015. The toll roads profits were further boosted by the full year contribution from the Jiurui Expressway and contributions from the three new expressways in Guangxi. The increase was offset by a lower profit contribution from the Guiliu Expressway and Guihuang

Highway. The toll roads performance was also affected by higher finance costs and exchange losses and a lower negative goodwill recognised in 2015 in respect of acquisitions. After taking into account these factors, the toll road operations reported a net profit attributable to shareholders of HK\$610.7 million, down 13% as compared to the HK\$701.8 million achieved last year.

The Others business segment posted a lower net loss of HK\$13.5 million against a loss of HK\$26.5 million in 2014. This was attributable to higher fixed deposit interest income and exchange difference.

Basic earnings per share and diluted earnings per share were 45.43 HK cents and 43.76 HK cents respectively as compared to 85.26 HK cents and 67.31 HK cents in the previous year, representing a decrease of 47% and 35% respectively. The decline in the earnings per share was primarily attributable to the dilutive effect of the preferential offering undertaken in 2015.

The contribution to the Group's net profit attributable to shareholders by the respective toll roads in 2015 and 2014 were as follows:

	2015 HK\$'000			2014 HK\$'000			Change %
	Share of Results	Subsidy Income	Total	Share of Results	Subsidy Income	Total	
JOINT VENTURES ("JV")							
Guiliu Expressway	150,656	-	150,656	153,914	-	153,914	(2.1)
Guihuang Highway	81,921	22,042	103,963	110,503	23,652	134,155	(22.5)
Net profit from JV			254,619			288,069	(11.6)
SUBSIDIARIES							
Yongtaiwen Expressway			375,474			333,269	12.7
Beilun Port Expressway			116,367			102,973	13.0
Jiurui Expressway ⁽¹⁾			19,429			12,287	n.m.
Guixing Expressway ⁽²⁾			4,387			-	n.m.
Guiyang Expressway ⁽²⁾			3,794			-	n.m.
Yangping Expressway ⁽³⁾			956			-	n.m.
Net profit from Subsidiaries			520,407			448,529	16.0
Total			775,026			736,598	5.2
OTHERS							
Other revenue & expenses ⁽⁴⁾			(164,308)			(34,815)	371.9
Net profit from Toll Road Operations			610,718			701,783	(13.0)

(1) The financial results of Jiurui Expressway was consolidated with effect from 9 September 2014.

(2) The financial results of Guixing Expressway and Guiyang Expressway were consolidated with effect from 16 October 2015.

(3) The financial results of Yangping Expressway was consolidated with effect from 23 September 2015.

(4) These comprise deferred income, effective interest, administrative expenses, finance costs, foreign exchange difference, withholding tax, income tax and bargain purchase gain arising from acquisition of subsidiaries.

Financial and Operations Review (cont'd)

CASH FLOW

The Group generated positive net cash flow from operations of HK\$1,542.1 million in 2015 compared to the previous year's HK\$1,278.2 million. The Group remains highly cash generative, with free cash flow of HK\$1,516 million and ended the year with a cash position of HK\$2,143.6 million.

BALANCE SHEET

The Group's total assets increased by 62% from HK\$15,591.2 million as at 31 December 2014 to HK\$25,193.4 million as at 31 December 2015 principally due to toll road investments made during the year. Net operating assets were HK\$12,157.3 million at the end of 2015, a 36% increase over the previous year.

Total borrowings stood at HK\$9,313.5 million as at 31 December 2015 compared to HK\$4,247 million at the end of 2014. The increase in total borrowings was due to additional bank facilities secured by the Company to fund part of the aggregate consideration payable for the acquisitions of the Guixing Expressway, Guiyang Expressway and Yangping Expressway and for working capital purposes. The consolidation of the bank borrowings of these three expressways upon completion also resulted in an increase in borrowings. As a result, the gearing ratio for the Group increased from 0.36 times to 0.59 times.

Operations Review

During the year under review, traffic volume and toll revenue of the toll roads operated and invested by the Group continued to enjoy a steady growth. On a portfolio basis, overall traffic flow registered an increase of 1.7% to 34.8 million vehicles while toll revenue remained steady at RMB2.5 billion.

The traffic volume and toll revenue recorded by each of the toll roads were as follows:

TRAFFIC VOLUME

	2015 Vehicles ('000)	2014 Vehicles ('000)	Growth rate (%)
Yongtaiwen Expressway	11,429	10,827	5.6
Beilun Port Expressway	9,894	9,934	(0.4)
Jiurui Expressway	1,389	1,400	(0.8)
Guiliu Expressway ⁽¹⁾	4,240	4,321	(1.9)
Guihuang Highway ⁽²⁾	7,820	7,710	1.4
Total	34,772	34,192	1.7

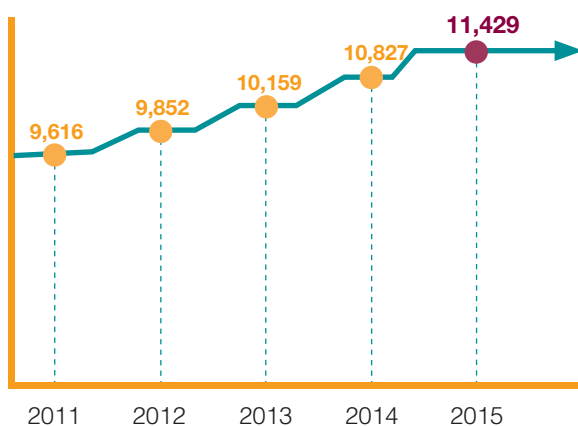
(1) With effect from 1 January 2015, the traffic volume for Guiliu Expressway has been changed from "Full Trip Equivalent Passenger Car Unit" to "Full Trip Equivalent Traffic Volume". Traffic volume for 2014 has been adjusted accordingly for comparison purpose.

(2) With effect from 1 January 2015, the traffic volume for Guihuang Highway has been changed from "Per Entry Traffic Volume" to "Full Trip Equivalent Traffic Volume". Traffic volume for 2014 has been adjusted accordingly for comparison purpose.

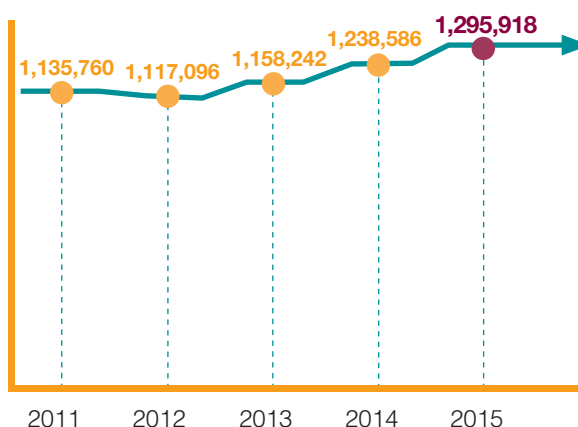
TOLL REVENUE

	2015 RMB (('000))	2014 RMB (('000))	Change (%)
Yongtaiwen Expressway	1,295,918	1,238,586	4.6
Beilun Port Expressway	306,148	307,765	(0.5)
Jiurui Expressway	66,278	76,891	(13.8)
Guiliu Expressway	604,554	628,496	(3.8)
Guihuang Highway	205,455	223,429	(8.0)
Total	2,478,353	2,475,167	0.1

YONGTAIWEN EXPRESSWAY TRAFFIC VOLUME ('000 VEHICLES)



YONGTAIWEN EXPRESSWAY TOLL REVENUE (RMB '000)

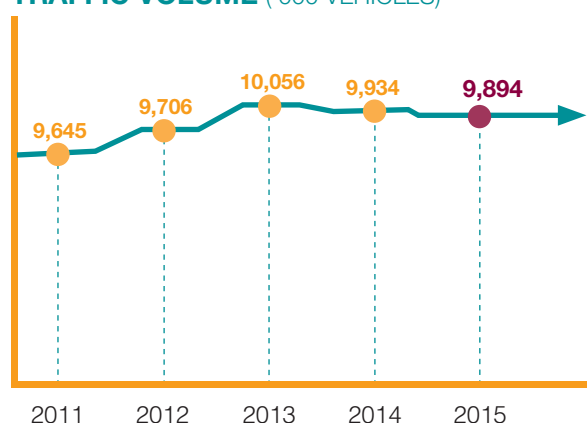


YONGTAIWEN EXPRESSWAY

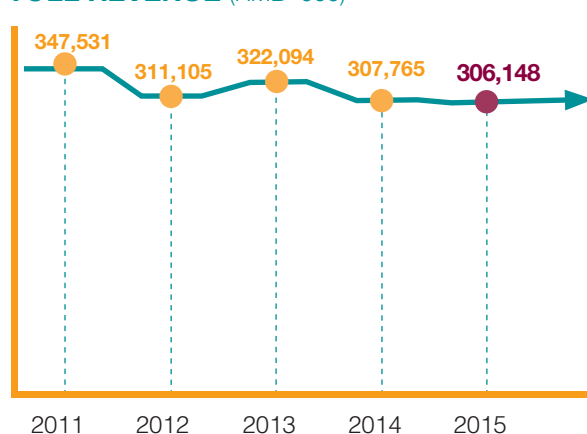
The Yongtaiwen Expressway has maintained its strong growth for the year under review. Traffic volume recorded by the Yongtaiwen Expressway increased by 5.6% to 11.4 million vehicles compared to 10.8 million vehicles a year ago as the economic growth in Zhejiang province remained stable. Driven by the continued growth in traffic volume, toll revenue was up 4.6% over the previous corresponding period to RMB1,295.9 million.

The Yongtaiwen Expressway registered an increase in net profit contribution of 12.7% from HK\$333.3 million in 2014 to HK\$375.5 million in 2015 on the back of the higher toll revenue achieved and lower finance costs and repairs and maintenance expenses, partially offset by higher amortisation of toll road operating rights.

BEILUN PORT EXPRESSWAY TRAFFIC VOLUME ('000 VEHICLES)



BEILUN PORT EXPRESSWAY TOLL REVENUE (RMB '000)

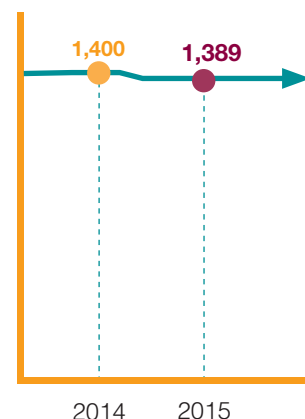


BEILUN PORT EXPRESSWAY

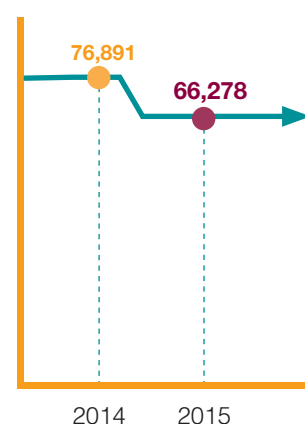
The traffic flow of the Beilun Port Expressway was affected by partial road closures at certain sections of the expressway for major upgrading works as well as traffic diversion caused by the partial road closures of a connected road for maintenance works. Traffic volume recorded by the Beilun Port Expressway was down by about 1% on the previous year.

The Beilun Port Expressway registered a marginal decline in toll revenue to RMB306.1 million compared to RMB307.8 million recorded a year ago. Net profit contribution from the Beilun Port Expressway increased by HK\$13.4 million or 13% mainly due to lower repairs and maintenance expenses and administrative costs partially offset by higher amortisation of toll road operating rights.

JIURUI EXPRESSWAY TRAFFIC VOLUME ('000 VEHICLES)



JIURUI EXPRESSWAY TOLL REVENUE (RMB '000)



JIURUI EXPRESSWAY

The Group acquired the entire equity interest and consolidated the financial results of the Jiurui Expressway with effect from 9 September 2014. Traffic volume registered by the Jiurui Expressway was down about 1% on the previous year while toll revenue decreased by a much higher 13.8% largely due to a change in traffic mix whereby the traffic volume of passenger cars with lower toll rates increased while the traffic volume of goods vehicles with higher toll rates decreased as a result of the slower economic growth in Jiangxi province.

The Jiurui Expressway posted a higher net profit of HK\$19.4 million in 2015 compared to HK\$12.3 million in 2014 primarily due to the full year contribution from this expressway.

Financial and Operations Review (cont'd)

GUIXING EXPRESSWAY

The Group acquired the entire issued share capital of Guangxi Guixing Expressway Investment and Construction Co., Ltd which owns and operates the Guixing Expressway, a 53.4 km long expressway located in Guangxi on 16 October 2015.

The Guixing Expressway is part of the G72 National Expressway System of China connecting Quanzhou municipality of Fujian province and Nanning municipality of Guangxi, serving the north-south traffic demand. The Guixing Expressway connects Guilin municipality (a popular tourist destination famous for its scenic landscapes and attracting more than 30 million visitors annually) with Xing'an county, and links up to the expressway network that extends to Quanzhou municipality and Nanning municipality.

The Group has consolidated the financial results of the Guixing Expressway with effect from 16 October 2015. The Guixing Expressway posted a net profit of HK\$4.4 million in 2015.

GUIYANG EXPRESSWAY

The Group acquired the entire issued share capital of Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd which owns and operates the Guiyang Expressway, a 67 km long expressway located in Guangxi on 16 October 2015.

The Guiyang Expressway is part of the G65 National Expressway System of China connecting Baotou municipality of Inner Mongolia and Maoming municipality of Guangdong province serving the north-south traffic demand. The Guiyang Expressway connects Guilin municipality with Yangshuo county (another popular tourist destination famous for its beautiful scenery), and links up to the expressway network that extends to Baotou municipality of Inner Mongolia and Maoming municipality.

The financial results of the Guiyang Expressway was consolidated with effect from 16 October 2015. The Guiyang Expressway posted a net profit of HK\$3.8 million in 2015.

YANGPING EXPRESSWAY

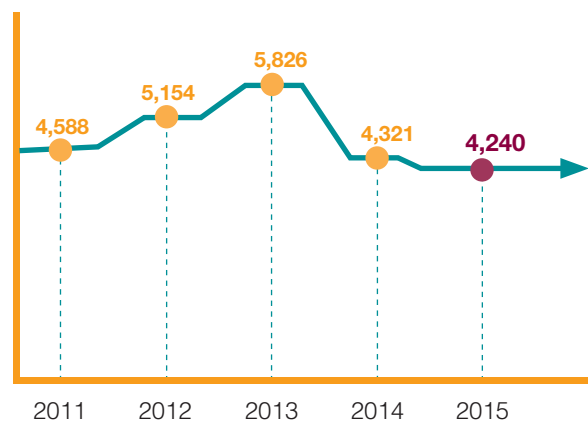
The Group acquired the entire issued share capital of Guangxi Huatong Expressway Co., Ltd which owns and operates the Yangping Expressway, a 39.52 km long expressway located in Guangxi on 23 September 2015.

The Yangping Expressway is part of the G65 National Expressway System of China connecting Baotou municipality of Inner Mongolia and Maoming municipality of Guangdong province, serving the north-south traffic

demand. The Yangping Expressway connects Yangshuo county with Pingle county, and links up to the expressway network that extends to Baotou municipality and Maoming municipality.

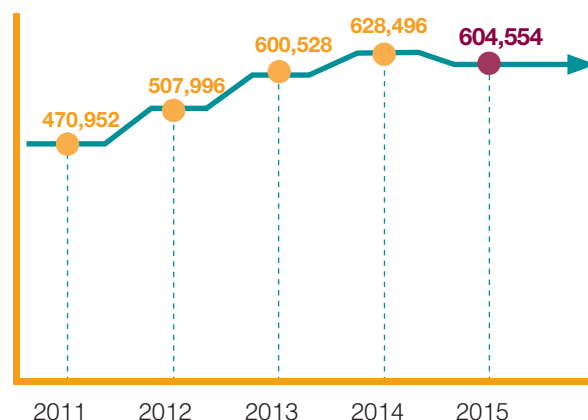
The Group has consolidated the financial results of the Yangping Expressway with effect from 23 September 2015. The Yangping Expressway posted a net profit of HK\$956,000 in 2015.

GUILIU EXPRESSWAY* TRAFFIC VOLUME ('000 VEHICLES)



* With effect from 1 January 2015, the traffic volume for Guiliu Expressway has been changed from "Full Trip Equivalent Passenger Car Unit" to "Full Trip Equivalent Traffic Volume". Traffic volume for 2014 has been adjusted accordingly for comparison purpose.

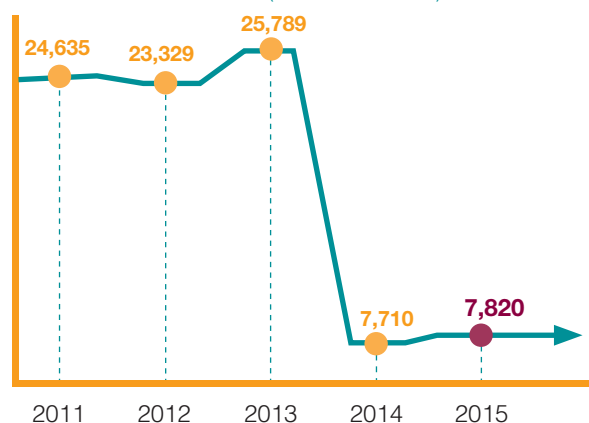
GUILIU EXPRESSWAY TOLL REVENUE (RMB '000)



GUILIU EXPRESSWAY

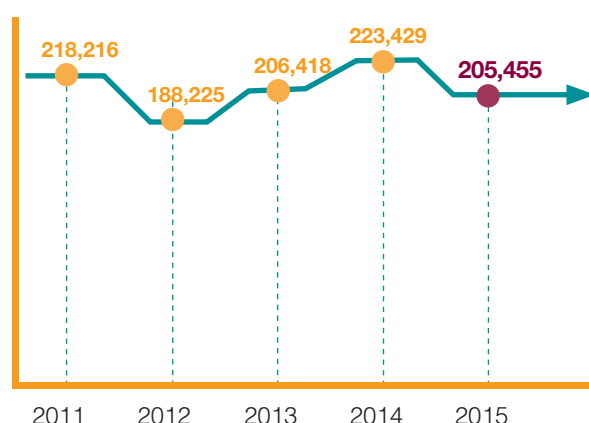
Toll revenue reported by the Guiliu Expressway decreased 3.8% to RMB604.6 million compared to RMB628.5 million achieved a year ago mainly due to traffic diversion caused by the change in road network and high speed rail services. The toll revenue was further affected by upgrading works being carried out at certain sections of the expressway. Net profit contribution from the Guiliu Expressway decreased by 2.1% to HK\$150.7 million on the back of the decline in toll revenue, higher amortisation of toll road operating rights and depreciation of RMB against HKD, partially offset by lower repairs and maintenance expenses.

GUIHUANG HIGHWAY* TRAFFIC VOLUME ('000 VEHICLES)



* With effect from 1 January 2015, the traffic volume for Guihuang Highway has been changed from "Per Entry Traffic Volume" to "Full Trip Equivalent Traffic Volume". Traffic volume for 2014 has been adjusted accordingly for comparison purpose.

GUIHUANG HIGHWAY TOLL REVENUE (RMB '000)



GUIHUANG HIGHWAY

The performance of the Guihuang Highway was affected by the decline in toll revenue of 8% over the corresponding period last year. Toll revenue recorded by the Guihuang Highway continued to be negatively impacted by traffic diversion arising from the change in road network and the decrease in traffic volume of large goods vehicles following the use of a large local road transportation logistic centre. The Guihuang Highway posted a net profit contribution of HK\$104 million, down 22.5% from the HK\$134.2 million achieved in the previous corresponding period due to the lower toll revenue registered, depreciation of RMB against HKD and the absence of one-off compensation of RMB13 million (approximately HK\$16.5 million) received in 2014.



Board of Directors



MR LUO HUI LAI
*Executive Chairman and
Chief Executive Officer*

Mr Luo was appointed Chairman of the Board in March 2012 and redesignated as the Executive Chairman and Chief Executive Officer in March 2014. He is concurrently the Managing Director of China Merchants Huajian Highway Investment Co., Ltd and has extensive experience in port management and port operation. He joined the China Merchants Group in 1997 and successively served as the Deputy General Manager and then Managing Director of China Merchants Container Services Limited, Chairman and Chief Executive Officer of China Merchants International Container Terminal Co., Ltd., Ningbo Daxie, Deputy General Manager of China Merchants Holdings (International) Co., Ltd. and Managing Director of CMH International (China) Investment Co., Ltd.

Mr Luo graduated from Huadong Petroleum Institute in the PRC with a Bachelor's Degree in Engineering, majoring in petroleum storage and transportation. He also holds an EMBA from the College of Business Administration at Zhejiang University. He is currently a standing member of China Highway Society and the Chairman of the Operation and Management Sub-society of the China Highway Society.



MR ZHENG HAI JUN
Vice Chairman

Mr Zheng was appointed Vice Chairman of the Board in February 2011. Mr Zheng joined the China Merchants Group in 1998 and is currently the Executive Deputy General Manager of China Merchants Huajian Highway Investment Co., Ltd. Mr Zheng has been actively involved in transportation management in the PRC since the 1990s. He brings with him an extensive knowledge and skills in infrastructure management having held senior project and corporate management roles in several of China's infrastructure projects including expressways and ports. Mr Zheng is the Vice Chairmen of Shandong Hi-speed Co., Ltd and Heilongjiang Transport Development Co., Ltd, both listed on the Shanghai Stock Exchange. Mr Zheng holds a Master's Degree in Investment Management from the Graduate School of China Academy of Social Science and an MBA from the University of South Australia International Graduate School of Management. He is a senior economist and a standing member of China Highway Society.



MR JIANG YAN FEI
*Vice Chairman, General Manager
and Chief Operating Officer*

Mr Jiang was appointed Director and Chief Executive Officer of the Company in December 2004 and redesignated as the General Manager and Chief Operating Officer in March 2014. He also assumed the concurrent position of Executive Deputy General Manager of China Merchants Huajian Highway Investment Co., Ltd. Mr Jiang joined China Merchants Holdings (International) Company Limited ("CMHI") in 2001 as a Deputy General Manager, whose main area of responsibility was the toll road business. Prior to joining CMHI, he was the Deputy General Manager of China Merchants Shekou Holdings Co., Ltd. He has extensive experience in the development of toll roads and transportation systems including investment management, technology and communications in the PRC and was a senior manager of the Shandong Provincial Transport Development and Investment Company. Mr Jiang is a telecommunication engineer and a senior economist and a standing member of the Operation and Management Sub-society of the China Highway Society. He holds an MBA from Murdoch University, Australia and graduated from Chongqing Communication College in the PRC.



MR WANG XIU FENG
Non-Executive Director

Mr. Wang joined China Merchants Huajian Highway Investment Co., Ltd ("Huajian") as Chief Financial Officer in July 2015. Prior to joining Huajian, he was Vice President of Metallurgical Corporation of China Ltd. He held several senior management positions at various state-owned enterprises including Chairman of MCC Jingtang Construction Co., Ltd. and the General Manager cum General Accountant of The 22nd China Metallurgical Construction Corporation. Mr. Wang graduated from Northeastern University in the PRC with a Bachelor's Degree in Industrial Accounting. He also holds an EMBA from Tsinghua University, PRC.



DR LIM HENG KOW
Lead Independent Director

Dr Lim was appointed to the Board in July 1996. Dr Lim has more than 30 years experience in the hotel, property development and retail industries as well as consultancy businesses. He has served as managing/executive directors and/or senior consultants to many listed and non-listed companies in Singapore, Malaysia and China over the past 30 years. In the early part of his career, he was an academic, having lectured in the universities of Malaysia and Singapore, and then worked briefly as a journalist. Dr Lim holds a PhD from the University of London, a Master's Degree in Arts from University of Ibadan (formerly London University, Ibadan College), Nigeria and a Bachelor's Degree in Arts from the Nanyang University of Singapore.



DR HONG HAI
Independent Director

Dr Hong joined the Board in May 2005. He is a Senior Fellow at the Institute of Advanced Studies and an Adjunct Professor at the Nanyang Business School at Nanyang Technological University. He was previously the Dean of Nanyang Business School (2002 to 2007) and President and CEO of Haw Par Corporation Limited (1990 to 2003). Dr Hong serves on the Boards of Poh Tiong Choon Logistics Limited, Starhill Global REIT and Asiamedic Ltd. A former Member of Parliament, Dr Hong is an honorary council member of the Singapore Chinese Chamber of Commerce & Industry. Dr Hong obtained a Bachelor of Electrical Engineering Degree from the University of Canterbury, New Zealand. He also holds Master's degrees from Harvard University and Cambridge University and PhDs from Carnegie Mellon University, USA and the London School of Economics.

Key Executive Officers

MR LUO HUI LAI

Chief Executive Officer

Mr Luo joined the Board in March 2012 and was redesignated as the Executive Chairman and Chief Executive Officer in March 2014. Mr Luo is responsible for setting strategic directions, formulating corporate strategies and overall management of the Group's businesses. He is concurrently the Managing Director of China Merchants Huajian Highway Investment Co., Ltd ("Huajian").

MR JIANG YAN FEI

General Manager and Chief Operating Officer

Mr Jiang was appointed the Chief Executive Officer in December 2004 and was redesignated as the General Manager and Chief Operating Officer in March 2014. Mr Jiang is responsible for assisting in the investment and development projects of the Company as well as other tasks assigned by the Chief Executive Officer of the Company, including the business operations and the general management of the Company as well as overseeing the Company's toll road business in the PRC. Mr Jiang is concurrently the Executive Deputy General Manager of Huajian.

MS ZHANG YANG

Deputy General Manager

Ms Zhang joined the Company as a Deputy General Manager in April 2013 where she is responsible for the corporate administration matters of the Company. She has extensive experience in the areas of toll road management and investment as well as human resource and corporate administration management. She joined Huajian in 1994 and has held various management positions up until her current appointment as Deputy General Manager in 2007. She has acquired in-depth knowledge of corporate governance best practices and management of listed companies having served on the Boards of a number of toll road companies listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange. Ms Zhang graduated from Lanzhou University in the PRC with a Bachelor's Degree in Economics. She is concurrently a Deputy General Manager of Huajian.

MR CHEN YUAN JUN

Deputy General Manager

Mr Chen joined the Company in December 2004 as a Deputy General Manager and Chief Operating Officer and was redesignated as a Deputy General Manager in March 2014. His duties include business planning, operations management, property rights management and other related corporate management work of the Company. He was previously the General Manager of the Infrastructure Department of China Merchants Holdings (International) Company Limited ("CMHI") where he was actively involved in the management and operations of the toll road business of CMHI. He has more than twenty years experience in transportation infrastructure, port investment and management, and enterprise integration and governance. Mr Chen holds an MBA Degree and graduated from China South East University, the PRC. He is concurrently a Deputy General Manager of Huajian.

MS SHI XIU LI

Chief Financial Officer

Ms Shi was appointed an Executive Director in March 2014 and was redesignated as the Chief Financial Officer in July 2015. She is responsible for the financial management matters of the Company including financial management and control, funds management and tax planning. Ms Shi was previously the Chief Financial Officer of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. ("Yongtaiwen Expressway Co"), a wholly-owned subsidiary of the Company. Prior to joining Yongtaiwen Expressway Co, she has worked as a Supervisor Director of State-owned Assets Supervision and Administration Commission of the State Council of the PRC and a Supervisor of the Supervisory Board in Centre Enterprise Working Committee of the PRC. She has extensive experience in the areas of finance and accounting. A Certified Public Accountant in the PRC, Ms Shi holds an LL.M from Peking University Law School and graduated with a Bachelor's Degree in Business Law from Northwest University of Politics and Law in the PRC.

MS LIM LAY HOON*Company Secretary*

Ms Lim is responsible for the corporate secretarial and human resource and administration matters of the Company. She has been with the Company since 1995 when she joined as an Assistant Finance & Admin Manager. She later assumed the positions of Finance & Admin Manager and Financial Controller in 1999 and 2000. Prior to joining the Company, she had worked as an accountant in a local company and an auditor in a public accounting firm. A member of the Institute of Singapore Chartered Accountants, Ms Lim holds an MBA from the Nanyang Technological University and graduated with a Bachelor's Degree in Accountancy from the National University of Singapore.

MS CHIN WENN*Chief Manager (Risk Management)*

Ms Chin joined the Company in September 2000 and was responsible for the accounting, financial, treasury and tax functions of the Company. She was redesignated as the Chief Manager (Risk Management) with responsibilities in the areas of risk management in November 2015. Prior to joining the Company, she had held various accounting and finance positions in-charge of matters relating to accounting, tax and financial management in various companies in Singapore and China. She is a Chartered Accountant (Singapore), a Chartered Certified Accountant (UK) and a CFA Charter holder. She graduated with a Bachelor of Economics Degree from Nankai University, the PRC.

MR YANG XU DONG

General Manager of Guangxi Guixing Expressway Investment and Construction Co., Ltd, Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd, Guangxi Huatong Expressway Co., Ltd and Guiliu JV Enterprises

Mr Yang is responsible for overseeing the operations of the Guixing Expressway, Guiyang Expressway, Yangping Expressway and Guiliu Expressway. Mr Yang joined CMHI in 1999 as a Project Manager in the Infrastructure Department as well as Deputy General Manager in the Guiliu JV Enterprises. He graduated with a Master's Degree in Engineering from Chang An University, the PRC, and holds a Bachelor's Degree from Xi An Highway University, the PRC.

MR YANG GUO LIN

Chairman of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd

Mr Yang is responsible for overseeing the operations of the Yongtaiwen Expressway. His previous appointments in the China Merchants Group included that of General Manager of the Guihuang JV Enterprises and Assistant to the General Manager of the Ningzhenluo JV Enterprises. He obtained his Master's Degree in Mechanical Engineering from Chang An University, the PRC. He also holds a Bachelor's Degree from Xi An Highway University, the PRC.

MR YUAN YI

General Manager of Ningbo Beilun Port Expressway Co., Ltd

Mr Yuan is responsible for overseeing the operations of the Beilun Port Expressway. Mr Yuan was previously a Project Manager of the Infrastructure Department of CMHI as well as General Manager in the Yuyao JV Enterprises. He obtained his Bachelor's Degree and Master's Degree in Engineering both from Chang An University, the PRC.

MR KONG DE SHENG

General Manager of Guihuang JV Enterprises

Mr Kong is responsible for overseeing the operations of the Guihuang Highway. Mr Kong joined CMHI in 2004 and was previously the Deputy General Manager of the Guihuang JV Enterprises. He holds an MBA from Nankai University, the PRC and graduated with a Bachelor's Degree in Economics from Harbin Engineering University, the PRC.

MR SONG JIAN JUN

General Manager of Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd

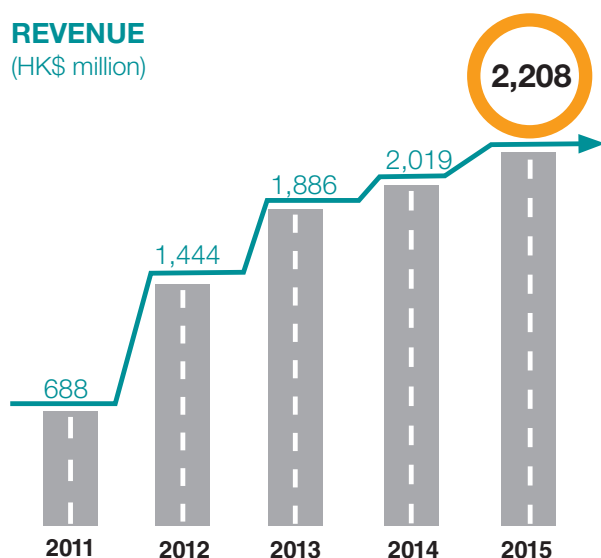
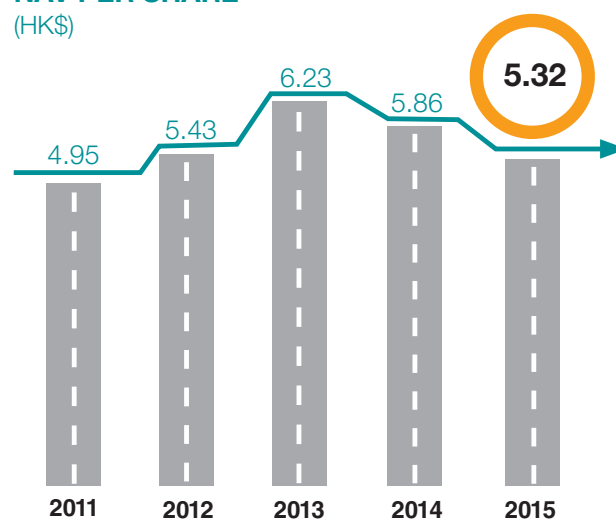
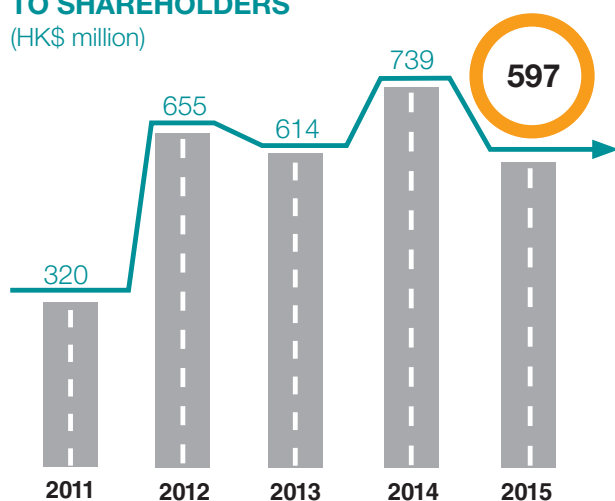
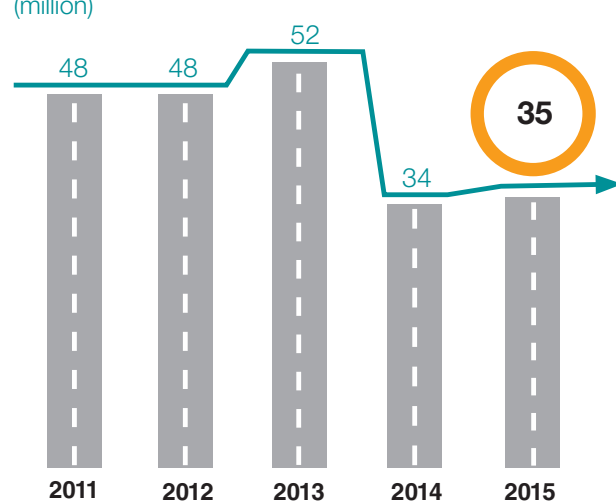
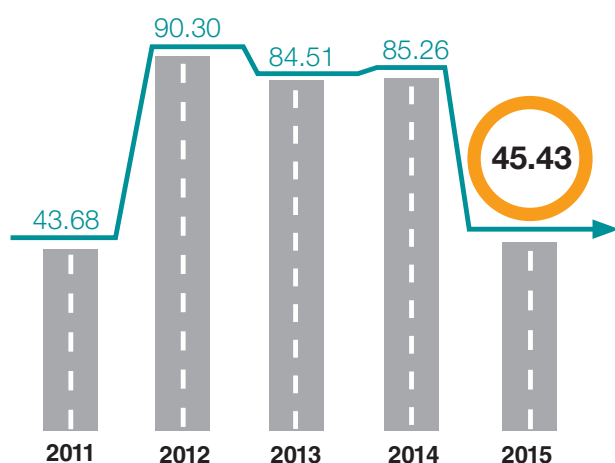
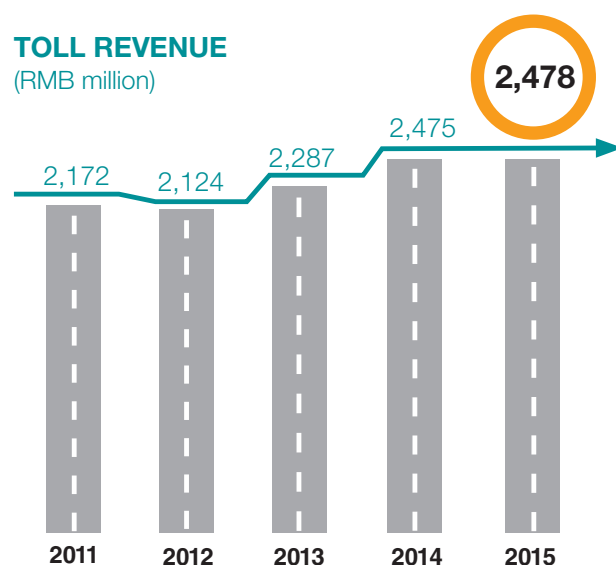
Mr Song is responsible for overseeing the operations of the Jiurui Expressway. Mr Song joined CMHI in 2001 and was previously the Financial Controller of the Yuyao JV Enterprises and Ningbo Beilun Port Expressway Co., Ltd. He obtained his Bachelor's Degree in Finance from Zhongnan University of Economics and Law, the PRC. He is a Certified Public Accountant (PRC).



Financial Highlights

	FINANCIAL YEARS				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
OPERATING RESULTS					
Revenue	2,207,801	2,019,494	1,886,260	1,444,107	688,428
Profit before tax	1,296,148	1,284,022	1,101,496	1,199,486	575,445
Profit after tax	957,972	1,059,614	897,160	906,457	441,680
Profit attributable to shareholders	597,221	739,415	613,702	655,320	319,887
FINANCIAL POSITION					
Total assets	25,193,373	15,591,154	13,431,770	13,303,993	11,527,625
Cash and cash equivalents	2,143,557	1,049,178	1,448,299	1,239,113	1,505,430
Total equity	12,157,255	8,929,794	7,760,797	7,079,283	6,659,300
Net borrowings	7,169,981	3,197,860	2,219,906	3,175,168	1,677,882
FINANCIAL RATIO (%)					
Return on assets	3.80	6.80	6.68	6.81	3.83
Return on equity	6.30	11.60	12.01	14.38	7.67
Net gearing	59	36	29	45	25
PER SHARE DATA¹					
Basic earnings (HK cents)	45.43	85.26	84.51	90.30	43.68
Diluted earnings (HK cents)	43.76	67.31	61.34	74.45	37.45
Net asset value (based on issued share capital)	HK\$5.32	HK\$5.86	HK\$6.23	HK\$5.43	HK\$4.95
Net asset value (assuming all RCPS had been converted)	-	-	HK\$5.98	HK\$5.34	HK\$4.88
DIVIDEND PER SHARE (SINGAPORE CENTS)					
Interim dividend	3.50	3.50	2.75	2.75	2.50
Final dividend	3.50	3.50	4.25	2.75	3.00
Total dividend	7.00	7.00	7.00	5.50	5.50

1. For FY2014, comparative figures for EPS and NAV have been adjusted retrospectively for the bonus issue of shares.

REVENUE
(HK\$ million)**NAV PER SHARE¹**
(HK\$)**PROFIT ATTRIBUTABLE TO SHAREHOLDERS**
(HK\$ million)**VEHICLE TRAFFIC VOLUME²**
(million)**BASIC EARNINGS PER SHARE¹**
(HK cents)**TOLL REVENUE**
(RMB million)

1. For FY2014, comparative figures for EPS and NAV have been adjusted retrospectively for the bonus issue of shares.

2. With effect from 1 January 2015, the traffic volumes for Guijiu Expressway and Guihuang Highway have been changed from "Full trip Equivalent Passenger Car Unit" and "Per Entry Traffic Volume" respectively to "Full Trip Equivalent Traffic Volume". Traffic Volume for FY2014 has been adjusted accordingly for comparison purpose.

Corporate Governance

The Company is committed in its continuing efforts to achieving high standards of corporate governance and business conduct in order to ensure greater transparency and to safeguard the interests of shareholders. We are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”), except for Guideline 3.1 (Chairman and CEO should be separate persons) and Guideline 9.2 (Disclosure on Remuneration), the reasons for which deviations are explained below.

This report describes the Company’s corporate governance practices with specific reference to the principles and guidelines of the Code.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Principle 2: Board Composition and Guidance

The Company is headed by an effective Board which oversees the business affairs of the Company. The Board carries out this oversight function by assuming responsibility for effective stewardship and corporate governance of the Company and the Group.

The Board sets the overall strategy of the Group and sets policies on matters such as financial control, financial performance and risk management procedures and supervises the management of the Company’s business and affairs. Through Board meetings and Board committees appointed by the Board, the Board monitors the performance of the Company, safeguards the Company’s assets, oversees the internal controls and sets the business direction for the Company.

The Board has delegated specific responsibilities to three committees namely, the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) to assist in the execution of its responsibilities. Each committee has its own written terms of reference, which clearly sets out the objectives, duties, powers, responsibilities and operating procedures to discharge its responsibilities more efficiently.

The Board holds meetings on a quarterly basis. When circumstances require, ad-hoc meetings are arranged. The Company’s Constitution allow a Board meeting to be conducted by way of a teleconference. In place of physical meetings, the Board also circulates written resolutions for approval by the relevant members of the Board.

The attendance of the Directors at Board and committee meetings during the financial year under review is as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Luo Hui Lai	4	4	-	-	1	1	-	-
Mr Zheng Hai Jun	4	3	4	3	-	-	1	0
Mr Jiang Yan Fei	4	4	-	-	-	-	-	-
Ms Shi Xiu Li*	4	3	-	-	-	-	-	-
Dr Lim Heng Kow	4	4	4	4	1	1	1	1
Dr Hong Hai	4	4	4	4	1	1	1	1
Mr Wang Xiu Feng**	4	1	-	-	-	-	-	-

* Ms Shi Xiu Li resigned as Director with effect from 30 July 2015.

** Mr Wang Xiu Feng was appointed Director with effect from 30 July 2015.

The Board comprises two executive Directors, two non-executive Directors and two non-executive independent Directors. There is no alternate Director on the Board. The Board is of the view that the standing of members of the Board in the business community and their experience in strategic planning and direction, accounting and finance, fund management, corporate finance and industry knowledge provide for effective decision making and direction to the Group. Key information on the Directors is set out on pages 14 and 15.

The Board is of the view that the current size of the Board is appropriate considering the scope and nature of the operations of the Company and of the Group. The Board, of which one third are non-executive independent directors, is able to ensure that it is able to exercise its powers objectively and independently from management.

The Company has an established policy for new Board members to be briefed by management on the business activities of the Group and its strategic directions.

Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors, the Singapore Exchange Securities Trading Limited ("SGX-ST"), business and financial institutions, and consultants. In addition, Directors are also continually and regularly updated on the Group's businesses and the regulatory and industry-specific environments in which the entities of the Group operate. Updates on relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts.

Directors may, at any time, request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management.

Principle 3: Chairman and Chief Executive Officer

The Board is of the view that it is in the best interest of the Group to adopt a single leadership structure whereby the Executive Chairman and Chief Executive Officer ("Chairman and CEO") is the same person, so as to ensure that the decision making process of the Company would not be unnecessarily hindered. The Board is of the opinion that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

Mr Luo Hui Lai has assumed the roles of both Chairman and CEO since 4 March 2014. As such, Mr Luo bears responsibility for the workings of the Board as well as day-to-day running of the Group's businesses.

As the Chairman and CEO, he, with the assistance of the Company Secretary, ensures that Board meetings are held when necessary and sets the Board meeting agenda. He also ensures that Board members are presented with complete, adequate and timely information. He works closely with management to ensure compliance with the Company's guidelines on corporate governance. He encourages constructive relations between the Board and the management and between the executive Directors and the independent Directors.

Management who can provide additional insight into the matters to be discussed are invited to attend and present the necessary papers at the relevant juncture during the Board meetings.

In view of the appointment of Mr Luo Hui Lai as the Chairman and CEO of the Company, the Company intends to appoint two additional independent Directors as soon as practicable such that the independent Directors of the Company will make up at least half of the Board. The Company is in the process of shortlisting and assessing suitable candidates to be appointed as the two additional independent Directors.

The Board has appointed Dr Lim Heng Kow as the Lead Independent Director. He is available to the shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or is inappropriate.

Principle 4: Board Membership

The NC comprises two non-executive independent Directors and an executive Director. Dr Lim Heng Kow who is a non-executive independent Director chairs the NC. The other members of the NC are Dr Hong Hai (non-executive and independent) and Mr Luo Hui Lai (executive).

Corporate Governance (cont'd)



The NC is guided by its terms of reference that sets out its responsibilities. Some of these responsibilities include:

- to recommend to the Board on the appointment and re-appointment of Directors;
- to review annually the independence of each Director, and ensure that the Board comprises at least one-third independent Directors while bearing in mind Guideline 2.2 of the Code;
- to review the Board succession plans for Directors;
- to review the training and professional development programs for the Board;
- to decide, where a Director has multiple board representation, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- to decide how the Board's performance may be evaluated and propose objective performance criteria to assess the effectiveness of the Board; and
- to assess the performance of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

New Directors are appointed by way of a Board resolution, after the NC makes necessary recommendations to the Board. In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on the attributes of the existing Board and the requirements of the Group. The NC then taps on the Directors' resources for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made. Such new Directors must submit themselves for re-election at the next AGM of the Company. The Company's Constitution require one-third of the Directors to retire and subject themselves to re-election by shareholders at every AGM.

The NC reviews annually the independence declarations made by the Company's non-executive independent Directors based on the criterion of independence under the guidelines provided in the Code. The NC has reviewed, and is satisfied that Dr Lim Heng Kow and Dr Hong Hai can be considered to be independent.

The NC had noted the list of other directorships held by the Directors, and is satisfied that each of the Directors is able to devote sufficient time and attention to the affairs of the Company. As a Director's ability to commit time to the Group's affairs is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is five.

The Board has also reviewed the number of years served by each non-executive independent Director (Dr Lim Heng Kow and Dr Hong Hai have served for approximately 20 and 11 years respectively). Having considered their in-depth knowledge of the Group's business operations, past and continuous contributions at Board level in terms of impartial and constructive advice, the Board is of the view that there is no material conflict between their tenure and their ability to discharge their role as non-executive independent Directors.

The year of initial appointment and last re-election/re-appointment of the Directors of the Company are set out as follows:

Name of Director	Date of first appointment/ last re-election/ re-appointment	Board appointment (executive/non-executive/ independent)	Board Committee as Chairman or member
Mr Luo Hui Lai	7 March 2012/ 30 April 2015	Executive	Member: Nominating Committee
Mr Zheng Hai Jun	18 February 2011/ 30 April 2015	Non-executive	Member: Audit Committee Remuneration Committee
Mr Jiang Yan Fei	30 December 2004/ 24 April 2014	Executive	Nil
Mr Wang Xiu Feng	30 July 2015/Nil	Non-executive	Nil
Dr Lim Heng Kow	26 July 1996/ 30 April 2015	Non-executive Independent	Chairman: Audit Committee Nominating Committee Member: Remuneration Committee
Dr Hong Hai	27 May 2005/ 30 April 2015	Non-executive Independent	Chairman: Remuneration Committee Member: Audit Committee Nominating Committee

Principle 5: Board Performance

The NC, in considering the re-appointment of any Director, evaluates the performance of the Director. The NC, of which the Chairman of the Board is a member, uses performance criteria such as attendance record at meetings of the Board and Board committees, intensity of participation at meetings, the quality of interventions and special contributions.

The NC has adopted a formal process for the evaluation of the performance of the Board. The objective of the evaluation process is to identify areas for continuous improvement to the Board's effectiveness. It is conducted by way of a Board evaluation questionnaire to assess the Board as a whole using qualitative performance criteria such as an evaluation of the size and composition of the Board, Board's access to information, Board processes, Board's understanding of the Group's business operations and effectiveness of Board meetings.

The NC has decided that given the current size of the Board, the background, experience and expertise of each Director and their general participation in Board and committee meetings, it would not be necessary to evaluate the individual performance of each Director.

Principle 6: Access to Information

Board members are provided with adequate and timely information prior to Board meetings and on an on-going basis. Detailed Board papers are prepared for each meeting of the Board and are normally circulated at least four working days in advance of each meeting. The Board papers contain sufficient information from management on financial, business and corporate issues to enable the Directors to be briefed on issues to be considered at Board meetings.

The Board has separate and independent access to the senior management and the Company Secretary at all times. The Board also has access to independent professional advice where appropriate.

The Company Secretary attends all Board meetings and is responsible to ensure that Board procedures are followed. It is also the Company Secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act and all other rules and regulations of the SGX-ST.

Corporate Governance (cont'd)

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The RC comprises two non-executive independent Directors and a non-executive Director. Dr Hong Hai who is a non-executive independent Director chairs the RC. The other members of the RC are Dr Lim Heng Kow (non-executive and independent) and Mr Zheng Hai Jun (non-executive).

The RC is guided by its terms of reference that sets out its responsibilities. Some of these responsibilities include:

- recommend to the Board a framework of remuneration for the Board of Directors and key executives;
- determine specific remuneration packages for each Executive Director and the CEO or executive of similar rank if the CEO is not an Executive Director;
- review the remuneration of senior management; and
- administer the CMHP Share Option Scheme 2002.

While none of the members specialise in the field of executive compensation, the members of the RC do possess general knowledge in this area and will seek external professional advice, if necessary. In setting remuneration packages, the RC takes into account the performance of the Group as well as individual Directors and key executives, aligning their interests with those of shareholders and linking rewards to corporate and individual performance. Each member of the RC abstains from making any recommendation in connection with his personal remuneration.

The RC determines the remuneration packages for the CEO and Executive Directors based on the performance of the Group and the individual Directors. Independent Directors are paid directors' fees, determined by the Board based on the effort, time spent and responsibilities of the independent Directors. All Directors are recommended by the RC to be paid a basic fee. Additional fees are payable to a Director for appointment as a member of a particular committee.

The remuneration of Directors and key executives of the Company for the financial year under review is set out below. For competitive reasons, the Company is only disclosing the bands of remuneration for each Director and key executives.

	Fee (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
a) Directors of the Company					
<i>S\$250,000 to below S\$500,000</i>					
Mr Luo Hui Lai		59	38	3	100
Mr Jiang Yan Fei		52	43	5	100
<i>Below S\$250,000</i>					
Mr Zheng Hai Jun*	100				100
Mr Wang Xiu Feng*	100				100
Dr Lim Heng Kow	100				100
Dr Hong Hai	100				100

	Fee (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
b) Key Executives of the Company**					
<i>Below S\$250,000</i>					
Mr Chen Yuan Jun		51	43	6	100
Ms Shi Xiu Li		53	30	17	100
Ms Lim Lay Hoon		69	30	1	100
Ms Chin Wenn		77	22	1	100

* Fee is paid to the employer company of the directors.

** The disclosure is in respect of the top key executives under the employment of the Company only. Out of the 6 top key executives, 2 of them are directors. As such only the remuneration bands of 4 key executives are disclosed. The remuneration bands of other key executive officers under the employment of the Company's subsidiaries and joint ventures are not disclosed.

The total remuneration paid to the above key executives is HK\$9,477,072 for the financial year under review.

There are no employees in the Group who are immediate family members of a Director or the CEO.

The China Merchants Holdings (Pacific) Limited Share Option Scheme 2002 has expired on 30 May 2012 and it was not extended or replaced.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is committed to provide shareholders with a balanced and understandable assessment of the Company's financial performance, position, and prospects via announcement of its quarterly, interim and full year financial results.

Management provides the Board with management accounts of the Group's financial performance, position, and prospects on a regular basis. Such reports enable the Directors to keep abreast of the Group's operating and financial performance and position.

Principle 11: Risk Management and Internal Controls

As the Group does not have a risk management committee, the Board, AC and Chief Manager (Risk Management) assume responsibility for the risk management function. The Group has in place risk management practices which aim to identify and manage areas of significant risks and appropriate measures to control and mitigate these risks. The identification and management of financial risks such as credit, interest rate and currency risks are outlined in Note 30 (under the Notes to Financial Statements) of the Annual Report.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews by the Chief Manager (Risk Management), AC and the Board, the Board with the concurrence of the AC, are satisfied that the system of internal controls in place are adequate in meeting the current scope of the Group's business operations and addressing the Group's financial, operational, compliance and information technology risks, and risk management systems. The Company is in compliance with Rule 1207(10) of the SGX-ST Listing Manual.

The Board has received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems are effective.

Principle 12: Audit Committee

The AC comprises two non-executive independent Directors and a non-executive Director. Dr Lim Heng Kow who is a non-executive independent Director chairs the AC. The other members of the AC are Dr Hong Hai (non-executive and independent) and Mr Zheng Hai Jun (non-executive). No former partner or director of the Company's existing auditing firm is an AC member.

Corporate Governance (cont'd)

The AC is guided by its terms of reference that sets out its responsibilities. Some of these responsibilities include:

- review with external auditors of their audit plan, evaluation of the adequacy of the system of internal controls, annual report, management letter and the management's response and any other matters that the external auditors wish to discuss;
- review of audit matters, their scope and results, and cost effectiveness;
- review interim and annual financial statements before submission to the Board for its approval;
- review the assistance given by management to the external auditors;
- review the independence and objectivity of external auditors;
- review the nature and extent of non-audit services performed by external auditors;
- review interested person transactions and potential conflicts of interest, if any, to ensure that proper measures to mitigate such conflicts of interest have been put in place and keeping the Board informed of such transactions and conflicts;
- conduct investigations into any matter within the AC's scope of responsibility and review of any significant findings of investigations; and
- review arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

Each member of the AC abstains from voting any resolutions in respect of matters he is interested in.

The company has in place a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters. There were no whistle-blowing letters received during the year and until the date of this report.

The AC has full access to and cooperation of management and external and internal auditors. It also has full discretion to invite any Director and executive officer to attend its meetings. The AC has received full co-operation from management and external auditors.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

In performing its functions, the AC met with the external auditors, without the presence of Management, and reviewed the overall scope of the external audit and the assistance given by Management to the auditors. In appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Company has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual.

Principle 13: Internal Audit

The Board has appointed the internal audit team from China Merchants Huajian Highway Investment Co., Ltd in China to carry out the internal audit function of the Group. The internal audit team reports primarily to the AC. The internal audit review assignments are determined from time to time by the AC as its members deem appropriate and in the interest of the Group. An internal audit will be performed for 1 to 2 main operating companies every year. For the financial year under review, the internal audit team conducted an internal audit review on the Group's operations of its subsidiary, Ningbo Beilun Port Expressway Co., Ltd that operates the Beilun Port Expressway and was satisfied that there were adequate internal controls.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Board is mindful of the obligation to provide timely and fair disclosure of material information. Shareholders are kept informed of developments and performances of the Group through announcements via SGXNET and the press (where appropriate) as well as the annual report.

In presenting announcements of quarterly, interim and full year financial results to shareholders, the Board's policy is to provide a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Other announcements are also made on an ad-hoc basis where applicable and as soon as possible to ensure timely dissemination of the information to shareholders.

The Company also conducts analysts' briefings and investor roadshows to maintain regular dialogue with investors and shareholders as well as to solicit and understand the views of shareholders.

For greater transparency, the Company has implemented electronic poll voting since its 2013 annual general meeting. This entails shareholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by show of hands) thereby allowing all shareholders present or represented at the meetings to vote on a one-share, one-vote basis. The voting results of all votes cast for or against each resolution are then screened at the meeting and announced to the SGX-ST after the meeting. The Company will continue to use the electronic poll voting system at the forthcoming annual general meeting.

DEALINGS IN SECURITIES

In line with Rule 1207(19) of the SGX-ST Listing Manual, the Company has adopted a set of code in relation to dealings in the Company's securities for the guidance of Directors and officers pursuant to the SGX-ST Listing Manual. There should be no dealings in the Company's shares by its officers during the period commencing two weeks before the announcement of the Company's first, second and third quarter financial results and one month before the announcement of the Company's full year results, and ending on the date of the announcement of such results respectively. Directors and officers are also expected to observe insider trading laws at all times even when dealing in its own securities is allowed.

The Company sends a quarterly memorandum to all directors and officers on the "black-out" periods which prohibits the Directors and officers from dealing in the Company's securities. In addition, Directors and officers are also directed to refrain from dealing in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTEREST POLICIES

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

Details of interested person transactions conducted during the financial year under review (excluding transactions below S\$100,000) are disclosed under item 3 of the Supplementary Information to the Financial Statements.

The Company has also formalised and put in place certain internal protocols which apply where a Director of the Company has an actual, perceived or potential conflict between the Director's interest and those of the Company.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholder during the financial year under review.

USE OF PROCEEDS

The Company has utilised approximately S\$597.6 million (approximately HK\$3,248.7 million), representing 100 per cent. of the net proceeds of the non-renounceable non-underwritten preferential offering (the "Preferential Offering") completed in September 2015 to fund part of the aggregate consideration payable for the acquisitions of the Guixing Expressway, Guiyang Expressway and Yangping Expressway.

The use of such proceeds of the Preferential Offering is in accordance with the stated use and in accordance with the percentage allocated in the Preferential Offering announcements.

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Directors' Statement

The directors present their statement together with the audited consolidated financial statements of China Merchants Holdings (Pacific) Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Mr Luo Hui Lai	–	Executive Chairman	
Mr Zheng Hai Jun	–	Vice Chairman	
Mr Jiang Yan Fei	–	Executive director	
Mr Wang Xiu Feng	–	Non-Executive director	(Appointed on 30 July 2015)
Dr Lim Heng Kow			
Dr Hong Hai			

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire the benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 6 below.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as disclosed below:

Name of directors and company in which interest is held	Shareholdings in which the directors have a direct interest	
	As at 1 January 2015	As at 31 December 2015
The Company		
<u>Ordinary shares fully paid (with no par value)</u>		
Jiang Yan Fei	1,540,000	1,617,000

Directors' Statement

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and company in which interest is held	Shareholdings in which the directors are deemed to have an interest	
	As at 1 January 2015	As at 31 December 2015
<u>Related corporation</u>		
- China Merchants Holdings (International) Company Limited		
<u>Ordinary shares fully paid (with no par value)</u>		
Zheng Hai Jun	2,450	2,450
<u>Options to subscribe for ordinary shares (with no par value)</u>		
Luo Hui Lai	150,000	–
Zheng Hai Jun	180,000	–

The directors' interests in the shares and options of the Company at 21 January 2016 were the same at 31 December 2015.

5. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which they are a member, or with a company in which they have a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the consolidated financial statements.

6. SHARE OPTIONS

The China Merchants Holdings (Pacific) Limited Share Option Scheme 2002 (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 30 May 2002 and modifications to the Scheme were approved by the members of the Company at the Extraordinary General Meetings held on 27 April 2006 and 25 April 2008. The Scheme is administered by the Remuneration Committee, which comprises the following directors:

Dr Hong Hai (Chairman)
Dr Lim Heng Kow
Mr Zheng Hai Jun

Other information regarding the Scheme is set out below:

- Group employees (including executive directors), non-executive directors, parent company employees and associate employees, subject to certain conditions, are eligible to participate in the Scheme. Controlling shareholders and their associates are not eligible to participate in the Scheme.
- The exercise price of the options can be set at a discount to the market price provided that the maximum discount shall not exceed 20% of the market price on the date of grant of the options.
- Options granted with the exercise price set at market price may be exercised 1 year after the grant date. Options granted with exercise price set at a discount to market price may only be exercised 2 years after the grant date.

Directors' Statement

6. SHARE OPTIONS (cont'd)

- All options are settled by physical delivery of shares.
- Options granted to eligible employees (including executive directors) expire after 10 years from the grant date. Options granted to non-executive directors expire after 5 years from the grant date.

The Scheme has been expired in 2012.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant	Balance as at 1 January 2015	Granted or exercised	Bonus issue	Lapsed or expired	Balance as at 31 December 2015	Exercise price per share (S\$)	Exercisable Period
							7 October 2007 to
6 October 2006	4,250,000	(2,150,000)	105,000	–	2,205,000	0.751	6 October 2016

As a result of the Bonus Issue of one Bonus Share for every twenty fully paid Shares, the exercise price of such option has been adjusted during the financial year from S\$0.789 to S\$0.751.

The details of the options granted under the 2002 Scheme to persons who were directors of the Company during the financial year are as follows:

Name of director	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed/ expired since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Jiang Yan Fei	1,200,000	1,200,000	–	–
Lim Heng Kow	150,000	–	(150,000)	–
Hong Hai	150,000	–	(150,000)	–

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total number of options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

7. AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Dr Lim Heng Kow (Chairman)	Independent and non-executive director
Dr Hong Hai	Independent and non-executive director
Mr Zheng Hai Jun	Non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' report.

Directors' Statement

7. AUDIT COMMITTEE (cont'd)

The Audit Committee also reviewed the following, where relevant, with the executive directors and external auditors of the Company:

- (i) the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;
- (ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
- (iii) Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;
- (iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
- (v) the adequacy of the Group's risk management processes;
- (vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (vii) interested person transactions in accordance with SGX listing rules;
- (viii) nomination of external auditors and approval of their compensation; and
- (ix) submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviewed the level of audit and non-audit fees.

The Audit Committee reviewed the independence of the external auditors as required under Section 206 (1A) of the Act and determine the external auditors were independent in carrying out their audit of the financial statements of the Group and Company.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming AGM of the Company.

8. AUDITORS

The auditors, Mazars LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Mr Luo Hui Lai

Director

Singapore

29 March 2016

Mr Jiang Yan Fei

Director

Independent Auditors' Report

To the Members of China Merchants Holdings (Pacific) Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of China Merchants Holdings (Pacific) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information set out on page 35 to 104.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of 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 management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

To the Members of China Merchants Holdings (Pacific) Limited

OPINION

In our opinion, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

MAZARS LLP

Public Accountants and
Chartered Accountants

Singapore

29 March 2016

Consolidated Statement of Profit or Loss

For the financial year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	4	2,207,801	2,019,494
Cost of sales		(910,173)	(906,503)
Gross profit		1,297,628	1,112,991
Other operating income	5	65,328	113,416
Administrative expenses		(118,656)	(103,927)
Other operating expenses		(34,748)	(1,574)
Finance costs	6	(168,023)	(124,953)
Subsidy income	7	22,042	23,652
Share of results of joint ventures, net of tax	18	232,577	264,417
Profit before tax from continuing operations	8	1,296,148	1,284,022
Income tax expense	9	(338,176)	(288,500)
Profit from continuing operations, net of tax		957,972	995,522
Profit from discontinued operations, net of tax	14	–	64,092
Profit for the financial year		957,972	1,059,614
Profit attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		597,221	675,323
Profit from discontinued operations, net of tax		–	64,092
		597,221	739,415
Non-controlling interests			
Profit from continuing operations, net of tax		360,751	320,199
Profit for the financial year		957,972	1,059,614
Earnings per share from continuing operations attributable to owners of the Company (HK cents):			
Basic	10	45.43	77.87
Diluted	10	43.76	61.78
Earnings per share attributable to owners of the Company (HK cents):			
Basic	10	45.43	85.26
Diluted	10	43.76	67.31

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Other Comprehensive Income

For the financial year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the financial year	957,972	1,059,614
<u>Other comprehensive income:</u>		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation difference arising on consolidation	(832,846)	(44,125)
Less: Reclassification to profit or loss upon disposal of discontinued operations	–	(80,960)
Total items that may be reclassified to profit or loss, representing other comprehensive income for the financial year	(832,846)	(125,085)
Total comprehensive income for the financial year	125,126	934,529
Total comprehensive income attributable to:		
Owners of the Company	(83,290)	626,521
Non-controlling interests	208,416	308,008
	125,126	934,529

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Financial Position

As at 31 December 2015

		Group		Company	
	Note	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	2,143,557	1,049,178	1,062,778	124,070
Trade and other receivables	12	238,073	199,761	1,124,969	1,012,947
Inventories	13	907	970	–	–
Total current assets		2,382,537	1,249,909	2,187,747	1,137,017
Non-current assets					
Property, plant and equipment	15	427,316	209,307	2,741	2,959
Intangible assets	16	20,798,599	12,429,096	–	–
Interests in subsidiaries	17	–	–	12,319,906	7,813,732
Interests in joint ventures	18	1,584,545	1,702,466	–	–
Club membership	19	376	376	376	376
Total non-current assets		22,810,836	14,341,245	12,323,023	7,817,067
Total assets		25,193,373	15,591,154	14,510,770	8,954,084
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	21	2,096,405	633,291	31,817	37,679
Interest-bearing liabilities	22	3,556,497	402,048	3,525,247	248,784
Dividend payable		149,609	498,009	149,609	498,009
Income tax payable		261,510	162,065	–	–
Total current liabilities		6,064,021	1,695,413	3,706,673	784,472
Non-current liabilities					
Interest-bearing liabilities	22	5,757,041	3,844,990	2,477,516	3,607,603
Deferred income	18	135,336	160,002	–	–
Deferred tax liabilities	20	1,079,720	960,955	–	–
Total non-current liabilities		6,972,097	4,965,947	2,477,516	3,607,603
Capital, reserves and non-controlling interests					
Share capital	23	7,861,501	3,804,616	7,861,501	3,804,616
Share options reserve	24	200	1,513	200	1,513
Statutory reserve	24	239,291	201,154	–	–
Currency translation reserve	24	(197,443)	483,068	–	–
Reserve on consolidation	24	(78,930)	(78,930)	–	–
Capital reserve	24	15,234	55,036	15,234	55,036
Accumulated profits		1,706,242	1,907,606	449,646	700,844
Equity attributable to owners of the Company		9,546,095	6,374,063	8,326,581	4,562,009
Non-controlling interests		2,611,160	2,555,731	–	–
Total equity		12,157,255	8,929,794	8,326,581	4,562,009
Total liabilities and equity		25,193,373	15,591,154	14,510,770	8,954,084

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Share capital HK\$'000	Share options reserve HK\$'000	Statutory reserve HK\$'000	Currency translation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2015	3,804,616	1,513	201,154	483,068	(78,930)	55,036	1,907,606	6,374,063	2,555,731	8,929,794
Total comprehensive income for the financial year	-	-	-	(680,511)	-	-	597,221	(83,290)	208,416	125,126
Profit for the year	-	-	-	-	-	-	597,221	597,221	360,751	957,972
Other comprehensive income:	-	-	-	-	-	-	-	-	-	-
Foreign currency translation difference arising on consolidation	-	-	-	(680,511)	-	-	-	(680,511)	(152,335)	(832,846)
Transfer from accumulated profits	-	-	38,137	-	-	-	(38,137)	-	-	-
Issue of ordinary shares through preferential offering in connection with the acquisition of subsidiaries (Note 23)	3,248,686	-	-	-	-	-	-	3,248,686	-	3,248,686
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	486,593	-	-	-	-	(32,144)	-	454,449	-	454,449
Redemption of convertible bonds (Note 22)	-	-	-	-	-	(7,658)	-	(7,658)	-	(7,658)
Share options exercised (Note 23)	11,082	(1,313)	-	-	-	-	-	9,769	-	9,769
Bonus issue (Note 23)	310,524	-	-	-	-	-	(310,524)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(152,987)	(152,987)
One-tier tax exempt dividends:	-	-	-	-	-	-	-	-	-	-
- Final ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	-	-	-	-	-	-	(220,716)	(220,716)	-	(220,716)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2015	-	-	-	-	-	-	(82,677)	(82,677)	-	(82,677)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2015	-	-	-	-	-	-	(146,531)	(146,531)	-	(146,531)
Balance at 31 December 2015	7,861,501	200	239,291	(197,443)	(78,930)	15,234	1,706,242	9,546,095	2,611,160	12,157,255

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Group	Share capital HK\$'000	Share options reserve HK\$'000	Statutory reserve HK\$'000	Currency translation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2014	2,730,406	5,507	141,250	595,962	(78,930)	78,535	1,635,874	5,108,604	2,652,193	7,760,797
Total comprehensive income for the financial year	-	-	-	(112,894)	-	-	739,415	626,521	308,008	934,529
Profit for the year	-	-	-	-	-	-	739,415	739,415	320,199	1,059,614
Other comprehensive income:										
Foreign currency translation difference arising on consolidation	-	-	-	(31,934)	-	-	-	(31,934)	(12,191)	(44,125)
Reclassification to profit or loss upon disposal of discontinued operations	-	-	-	(80,960)	-	-	-	(80,960)	-	(80,960)
Transfer from accumulated profits	-	-	59,904	-	-	-	(59,904)	-	-	-
Issue of ordinary shares in connection with the acquisition of subsidiaries (Note 17)	693,552	-	-	-	-	-	-	693,552	-	693,552
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	351,204	-	-	-	-	(23,499)	-	327,705	-	327,705
Share options exercised (Note 23)	29,454	(3,994)	-	-	-	-	-	25,460	-	25,460
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(404,470)	(404,470)
One-tier tax exempt dividends:										
- Final ordinary dividend paid of Singapore 4.25 cents per share in respect of 2013	-	-	-	-	-	-	(35,055)	(35,055)	-	(35,055)
- Final ordinary dividend payable of Singapore 4.25 cents per share in respect of 2013	-	-	-	-	-	-	(155,448)	(155,448)	-	(155,448)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	-	-	-	-	-	-	(64,669)	(64,669)	-	(64,669)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2014	-	-	-	-	-	-	(152,607)	(152,607)	-	(152,607)
Balance at 31 December 2014	3,804,616	1,513	201,154	483,068	(78,930)	55,036	1,907,606	6,374,063	2,555,731	8,929,794

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2015

Company	Share capital HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at 1 January 2015	3,804,616	1,513	55,036	700,844	4,562,009
Total comprehensive income for the financial year	—	—	—	509,250	509,250
Issue of ordinary shares through preferential offering in connection with the acquisition of subsidiaries (Note 23)	3,248,686	—	—	—	3,248,686
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	486,593	—	(32,144)	—	454,449
Redemption of convertible bonds (Note 22)	—	—	(7,658)	—	(7,658)
Share options exercised (Note 23)	11,082	(1,313)	—	—	9,769
Bonus issue (Note 23)	310,524	—	—	(310,524)	—
One-tier tax exempt dividends:					
- Final ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	—	—	—	(220,716)	(220,716)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2015	—	—	—	(82,677)	(82,677)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2015	—	—	—	(146,531)	(146,531)
Balance at 31 December 2015	7,861,501	200	15,234	449,646	8,326,581
Balance at 1 January 2014	2,730,406	5,507	78,535	84,136	2,898,584
Total comprehensive income for the financial year	—	—	—	1,024,487	1,024,487
Issue of ordinary shares in connection with the acquisition of subsidiaries (Note 17)	693,552	—	—	—	693,552
Issue of ordinary shares upon conversion of convertible bonds (Note 22)	351,204	—	(23,499)	—	327,705
Share options exercised (Note 23)	29,454	(3,994)	—	—	25,460
One-tier tax exempt dividends:					
- Final ordinary dividend paid of Singapore 4.25 cents per share in respect of 2013	—	—	—	(35,055)	(35,055)
- Final ordinary dividend payable of Singapore 4.25 cents per share in respect of 2013	—	—	—	(155,448)	(155,448)
- Interim ordinary dividend paid of Singapore 3.50 cents per share in respect of 2014	—	—	—	(64,669)	(64,669)
- Interim ordinary dividend payable of Singapore 3.50 cents per share in respect of 2014	—	—	—	(152,607)	(152,607)
Balance at 31 December 2014	3,804,616	1,513	55,036	700,844	4,562,009

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		1,296,148	1,284,022
Profit before tax from discontinued operations		–	64,092
Profit before tax, total		1,296,148	1,348,114
Adjustments for:			
Depreciation of property, plant and equipment	15	22,215	25,697
Amortisation of intangible assets	16	544,156	480,415
Loss on disposal of property, plant and equipment	8	798	57
Write off of intangible assets		–	185
Gain on disposal of discontinued operations	17	–	(66,319)
Provision for warranties		–	1,917
Interest on convertible bonds	6	12,182	29,344
Realisation of deferred income		(24,666)	(26,306)
Effective interests on compensation receivable		(8,985)	(16,714)
Amortisation of loan arrangement fees	6	29,296	19,191
Bargain purchase gain arose from acquisition of subsidiaries	17	(8,415)	(22,783)
Interest expense		126,545	77,685
Interest income		(34,022)	(25,180)
Exchange differences		26,741	(33,405)
Share of results of joint ventures, net of tax	18	(232,577)	(264,417)
Operating cash flows before movements in working capital		1,749,416	1,527,481
Inventories		16	(57,344)
Trade and other receivables		27,276	82,018
Trade and other payables		(24,161)	62,998
Cash generated from operations		1,752,547	1,615,153
Income taxes paid		(210,533)	(336,995)
Net cash generated from operating activities		1,542,014	1,278,158
INVESTING ACTIVITIES			
Interest received		34,795	25,004
Purchase of property, plant and equipment	15	(245,810)	(49,953)
Acquisition of subsidiaries	17	(3,670,599)	(134,784)
Proceeds from disposal of property, plant and equipment		280	162
Proceeds from disposal of discontinued operations	17	–	355,506
Repayment of loans by joint ventures		49,591	103,523
Dividends received		170,353	372,964
Net cash (used in)/generated from investing activities		(3,661,390)	672,422
FINANCING ACTIVITIES			
Interest paid		(150,828)	(93,988)
Issue of shares under share option scheme		9,769	25,460
Proceeds for allotment of new shares under Preferential Offering	23	3,248,686	–
Partial redemption of convertible bonds	22	(189,000)	–
Proceeds from bank loans		3,277,131	1,720,390
Repayment of bank loans		(1,974,051)	(2,326,915)
Repayment of loan		–	(916,177)
Dividends paid to:			
Owners of the Company		(801,402)	(349,724)
Non-controlling interests of a subsidiary		(152,987)	(404,470)
Net cash generated from/(used in) financing activities		3,267,318	(2,345,424)
Net increase/(decrease) in cash and cash equivalents		1,147,942	(394,844)
Cash and cash equivalents at beginning of the financial year		1,049,178	1,449,026
Net effect of exchange rate changes in the balance of cash held in foreign currencies		(53,563)	(5,004)
Cash and cash equivalents at end of the financial year	11	2,143,557	1,049,178

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

Notes to Financial Statements

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

China Merchants Holdings (Pacific) Limited (the "Company") (Registration No. 198101278D) is incorporated and domiciled in Singapore with its registered office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 and principal place of business at 6 Temasek Boulevard #33-04/05 Suntec Tower Four Singapore 038986. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the Company are those of investment holding.

The principal activities of the subsidiaries and joint ventures are disclosed in Notes 17 and 18 to the financial statements respectively.

The immediate and ultimate holding companies are Easton Overseas Limited, a company incorporated in the British Virgin Islands ("BVI"), and China Merchants Group Limited (招商局集团), a company registered in the People's Republic of China ("PRC"), respectively.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors on 29 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretation of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group's entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Hong Kong dollar ("HK\$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("HK\$'000"), unless otherwise indicated.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Statements	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interest in Joint Operations	1 January 2016
FRS110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception (Editorial corrections in June 2015)	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
Various	Improvements to FRSs (November 2014)	Various

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in financial year ended 31 December 2015. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

FRS 109 Financial Instruments (cont'd)

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 Construction contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group does not intend to early adopt FRS 115. The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries and they incorporate its post-acquisition share of the results of joint ventures using the equity method of accounting. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same financial year end as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. 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 financial year end and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent financial year end in accordance with FRS 39 or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Business combinations (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the financial 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 below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The accounting policy for initial measurement of non-controlling interests is described above.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Reverse acquisition

In 2004, the Company acquired the entire issued and paid-up share capital of Successful Road Corporation ("SRC") from China Merchants Holdings (International) Company Limited. The acquisition of SRC was accounted for as a reverse acquisition where SRC was deemed to be the acquirer and the cost of the business combination was deemed to have been incurred by SRC. Accordingly, the reverse acquisition of the Company by SRC was accounted for by applying the purchase method and the principles of reverse acquisition accounting. Details of the reverse acquisition were set out in Note 2 to the financial statements for the financial years ended 31 December 2004 and 2005.

2.5 Revenue recognition

Revenue comprise 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.

Toll road revenue

Toll road revenue for the operation of toll road is recognised when the tolls are received or become receivable.

Subsidy income

Subsidy from joint venture partners is recognised as income on an accrual basis when there is reasonable assurance that it will be received.

Dividend income

Dividend income is recognised when the shareholder's right to receive the payment has been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Sale of development properties (Discontinued operations)

Revenue from sale of land or houses is recognised as each individual lot is sold and when all risks and rewards of ownership have been transferred to the buyer.

Design and build contract revenue (Discontinued operations)

Contract revenue and costs are recognised in profit or loss using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and the following can be reliably estimated – total contract revenue to be received; and costs to complete. The stage of completion is assessed with reference to surveys of work performed. An expected loss on a contract is recognised immediately in profit or loss.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised in profit or loss as an expense in the period in which they are incurred.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Borrowing costs

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. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. 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 profit or loss in the period in which they are incurred.

2.7 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those using in a defined contribution retirement benefit plan.

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

2.8 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in 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 not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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.

Deferred tax assets and liabilities is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. 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 financial year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.11 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in the Group's translation reserve, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Foreign currency transactions and translation (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the translation reserve (attributed to non-controlling interests, as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.12 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	-	3% to 10%
Leasehold improvements	-	10%
Furniture and fittings	-	20%
Plant, machinery and office equipment	-	3% to 33%
Computers	-	20%
Motor vehicles	-	10% to 19%
Toll road infrastructure	-	19%

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

The carrying amount of property, plant and equipment are reviewed for impairment when the events or changes in circumstances indicate that carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted as appropriate at the end of each financial year.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment asset is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Intangible assets

Intangible assets relate to toll road operating concession rights and are recognised at their fair value at the acquisition date. The concession granted included the rights to redevelop and expand, invest, operate, manage and maintain the expressways and highways and their ancillary facilities and the rights to propose and collect toll incomes from vehicles using the expressways and highways and other fees relating to the expressways and highways and their ancillary facilities ("the operating rights") during the operating period.

Subsequent to initial recognition, the operating rights are stated at cost less accumulated amortisation and impairment losses. Amortisation of the operating rights is based on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the lease term for the respective rights to operate the toll roads.

The projected total traffic volume over the lease term of the respective toll roads is reviewed by the Group annually. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

Major repairs and maintenance costs incurred to upgrade or maintain the toll roads are capitalised as intangible assets and amortised over the remaining concession period.

Intangible assets acquired separately by the Group's joint ventures

The Group's joint ventures (formerly known as "jointly controlled entities") were granted by the PRC authority the concessions to operate the expressways and highways, namely Guilin Expressway and Guihuang Highway during the pre-set operating period.

In 2008, the Group adopted INT FRS 112 *Service Concession Arrangements* and had reclassified the toll road operating rights and the costs incurred on infrastructure from lease prepayments and property, plant and equipment, respectively, to intangibles.

2.14 Club membership

Club membership is stated at cost less accumulated impairment losses.

2.15 Impairment of tangible and intangible assets

At the end of each financial year, the Group reviews the carrying amounts of its assets to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset of cash-generating unit is the higher of its fair value less costs to sell and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of tangible and intangible assets (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16 Interests in joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the financial year in which the investment is acquired.

The financial statements of the joint ventures have the same financial year end as the Group. Where necessary, accounting policies of joint ventures have been changed to ensure consistency with the policies adopted by the Group.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held-for-sale, in which case it is accounted for under FRS 105, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Group's share of losses in a joint venture in excess of the Group's interest in that joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

For partial disposal where the reduction in the Group's ownership interest in joint ventures that do not result in the Group losing joint control, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Interests in joint ventures (cont'd)

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The investment in joint ventures has been accounted at cost in the subsidiary's separate financial statements.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the Company's and Group's statements of financial position when the Company and Group become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest rate basis for debt instruments.

Financial assets

The Group's financial assets are classified as loans and receivables and depend on the nature and purpose of the financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity in the period in which they are declared.

Convertible loan notes

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

The liability component of bonds is recognised initially at the fair value of a similar liability (including the embedded non-equity derivative features such as the put option and the call option) that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Any directly attributable transaction costs are allocated to the liability and equity portion in proportion to their initial carrying amounts.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity but may be transferred within equity.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

Convertible loan notes (cont'd)

On conversion of the convertible loan notes at maturity, the Group derecognises the liability component and recognises it as equity. The original equity component remains as equity. There is no gain or loss on conversion at maturity.

When the Group extinguishes the convertible loan notes before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible loan notes at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible loan notes was issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

- (i) The amount of gain or loss relating to the liability component is recognised in profit or loss; and
- (ii) The amount of consideration relating to the equity component is recognised in equity.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs as set out in Note 2.6.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits that are subject to an insignificant risk of changes in value.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Leases

Operating lease

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event where, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.22 Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At the end of each financial year, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled share options reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 22 November 2002 that vested after 1 January 2005.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team led by the group of executive directors and the Chief Executive Officer of the Group who make strategic decisions.

Notes to Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant in respect of the compensation receivable from authorities pertaining to the relocation of toll stations at Guihuang, will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by instalment.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3.1 Critical judgements in applying the entity's accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the respective entity in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Acquisition accounting

The Group accounts for entities acquired in accordance with FRS 103. The application of this accounting standard requires certain estimates and assumptions especially concerning the determination of fair values of acquired intangible assets, property, plant and equipment, other assets and the liabilities assumed at the date of the acquisition.

The judgement made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, the Group engaged the expert services and assistance of independent valuation specialists. These independent valuation specialists used subjective assumptions and estimates to determine the fair values of the identified net assets of the acquired company. Changes in the assumptions and estimates in the fair values may potentially affect fair values of the identified assets and liabilities. The valuations are based on information available at the acquisition date. Please refer to Note 17 to the financial statements.

Determination of joint control over investment in joint venture, Guihuang Joint Venture

The Group accounted for its 60% of equity interest in Guihuang Joint Venture ("Guihuang"), as at 31 December 2015 as an investment in joint venture. The results of Guihuang have been equity-accounted for in the Group's consolidated financial statements. Given the significant equity interest held in Guihuang, the Group has considered both FRS 28 *Investments in Associates and Joint Ventures* and FRS 110 *Consolidated Financial Statements* to determine whether it held control, and if so, whether it had unilateral or joint control, over Guihuang as at the financial year end. In reaching its conclusion, the Group considered also the extent of its involvement during the decision making process over relevant activities through its representation on the Board of Directors, its influence over key management personnel, the voting pattern; as well as the laws and regulations of the People's Republic of China ("PRC") under which the agreement entered into by the Group and its Sino-Joint Venture Partner was crafted to define the scope of decision making authority given to each party.

Notes to Financial Statements

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.1 Critical judgements in applying the entity's accounting policies (cont'd)

Determination of control over investment in subsidiary, Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd

The Group accounted for its 51% equity interest in Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd ("Yongtaiwen") as at 31 December 2015 as an investment in subsidiary. The results of Yongtaiwen have been consolidated in the Group's consolidated financial statements. In view of the equity interest held in Yongtaiwen, the Group has considered both FRS 28 *Investments in Associates and Joint Ventures* and FRS 110 *Consolidated Financial Statements* to determine whether it held control over Yongtaiwen as at the financial year end. In reaching its conclusion, the Group considered also the size of its voting rights relative to the size and dispersion of holdings of other vote holders, its representation at shareholders' and directors' meetings and the voting patterns and the composition of key management personnel in Yongtaiwen. Consequently, the Group assessed that it has significant influence over Yongtaiwen and classified the entity as a subsidiary.

3.2 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.

Amortisation of toll road operating rights

Amortisation of toll road operating rights is based on an units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the lease term for the respective rights to operate the toll roads. The projected total traffic volume over the lease term of each toll road was estimated based on certain assumptions concerning the future. Should the actual traffic volume deviate significantly from the original projected traffic volume, the amortisation of the joint ventures' toll road operating rights may be significantly affected and this could result in a material adjustment to the carrying amount of the Group's investments in the joint ventures and intangible assets. The carrying amount of the Group's intangible assets was HK\$20,798,599,000 (2014: HK\$12,429,096,000).

Impairment of investments in subsidiaries and joint ventures

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's and Group's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 *Impairment of Assets* by forecasting the expected future cash flows. Future cash flow estimates which are used to calculate the asset's fair value are discounted using asset specific discount rates and are based on expectations about future operations, primarily comprising estimates about quantitative information relating to traffic volume and toll fee income and qualitative factors, operating costs and capital expenditures. Changes in such estimates could impact recoverable amounts of these assets. Estimates are reviewed regularly by management. The Company's carrying amount of investments in subsidiaries as at 31 December 2015 was HK\$12,319,906,000 (2014: HK\$7,813,732,000). The Group's carrying amount of investments in joint ventures as at 31 December 2015 was HK\$1,584,545,000 (2014: HK\$1,702,466,000).

Impairment of trade and other receivables

The Group assesses its loans and receivables on a continuous basis for any objective evidence of impairment by considering factors, including the ageing profile, the creditworthiness and the past collection history of each debtor. If the financial conditions of these receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's loans and other receivables as at 31 December 2015 were HK\$238,073,000 (2014: HK\$199,761,000) and HK\$1,124,969,000 (2014: HK\$1,012,947,000) respectively.

Notes to Financial Statements

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Fair value of convertible bonds

Convertible bonds are measured at fair value at the initial recognition. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible bonds, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity but may be transferred within equity. As at 31 December 2015, the carrying amount of the convertible bond was HK\$144,915,000 (2014: HK\$772,964,000).

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current tax payable as at 31 December 2015 was HK\$261,510,000 (2014: HK\$162,065,000) and HK\$Nil (2014: HK\$Nil) respectively.

4. REVENUE

	Group	
	2015 HK\$'000	2014 HK\$'000
Toll road revenue	2,173,779	1,994,314
Interest income from fixed deposits with banks	34,022	25,180
	<u>2,207,801</u>	<u>2,019,494</u>

5. OTHER OPERATING INCOME

	Group	
	2015 HK\$'000	2014 HK\$'000
Bargain purchase gain arose from acquisition of subsidiaries	8,415	22,783
Foreign exchange gain (net)	—	31,068
Subsidy and compensation from authorities	50,149	43,020
Others	6,764	16,545
	<u>65,328</u>	<u>113,416</u>

Notes to Financial Statements

For the financial year ended 31 December 2015

6. FINANCE COSTS

	Group	
	2015	2014
	HK\$'000	HK\$'000
Interest on convertible bonds	12,182	29,344
Amortisation of loan arrangement fees	29,296	19,191
Interest on bank borrowings	126,545	76,418
	<u>168,023</u>	<u>124,953</u>

7. SUBSIDY INCOME — GROUP

In accordance with the joint venture agreements of Guiliu JVs and Guihuang JVs, a subsidy is granted to the Group by the respective Sino joint venture partners of the above joint ventures for a specified period. As part of the annual cash distribution by Guiliu JVs and Guihuang JVs, the joint venture partners are entitled to receive an amount equivalent to the non-cash expenses (mainly depreciation and amortisation charges) incurred by the respective joint ventures, which were accounted for in accordance with the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP").

The Group's entitlement of the above-mentioned cash distribution is determined based on its cash sharing ratio in the respective joint ventures, of which a portion calculated based on the Group's capital contribution ratio in the respective joint ventures is accounted for as loan repayment by the respective joint ventures during the year, and the remaining portion is recognised as subsidy income.

The annual subsidy granted by the respective Sino joint venture partners of Guiliu JVs and Guihuang JVs is subject to availability of distributable cash and is only applicable during the following period:

- For Guiliu JVs, the Group is entitled to receive the annual subsidy during the period from 1 January 2000 to 31 December 2009; and
- For Guihuang JVs, the Group is entitled to receive the annual subsidy during the period from 1 January 2001 to 31 December 2014. However, this was extended to 31 October 2017 following the change in the Concession Expiry Date (See Note 18).

Thereafter, the Group is not entitled to receive any subsidy from the Sino joint venture partners of the above joint ventures.

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Profit before tax from continuing operations has been arrived at after charging/(crediting):

	Group	
	2015	2014
	HK\$'000	HK\$'000
Toll roads and related expense	910,173	906,503
Foreign exchange loss/(gain), net	30,386	(31,068)
Loss on disposal of property, plant and equipment	798	57
Write off of intangible assets	—	185
Non-audit fees paid and payable to auditors of the Company	174	38
Audit fees:		
- paid and payable to auditors of the Company	1,166	1,232
- paid and payable to other auditors	1,967	1,427

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For the financial year ended 31 December 2015

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (cont'd)

	Group	
	2015 HK\$'000	2014 HK\$'000
Operating lease expense	5,619	5,822
Staff costs	231,961	206,147
Contributions to defined contribution plans, included in staff costs	20,427	22,671
Directors' remuneration:		
- of the Company	4,589	5,521
- of the subsidiaries	4,138	4,106
Directors' fee	761	825

9. INCOME TAX EXPENSE

	Group	
	2015 HK\$'000	2014 HK\$'000
Current tax expense		
Current financial year	312,053	265,805
Overprovision in prior financial year	—	(62)
	312,053	265,743
Deferred tax expense		
Movements of temporary differences	26,123	23,275
Overprovision in prior financial year	—	(518)
Total charged to profit or loss (Note 20)	26,123	22,757
Income tax expense	338,176	288,500

The total charge for the financial year can be reconciled to the accounting profit as follows:

Reconciliation of effective tax rate

	Group	
	2015 HK\$'000	2014 HK\$'000
Profit before tax from continuing operations	1,296,148	1,284,022
Profit before tax from discontinued operations	—	64,092
Profit before tax, total	1,296,148	1,348,114
Less: Share of results of joint ventures, net of tax	(232,577)	(264,417)
Profit before tax excluding share of results of joint ventures	1,063,571	1,083,697
Income tax using domestic rates applicable to profits in each country	242,156	283,886
Expenses not deductible for tax purposes	76,454	21,899
Income not subject to tax	(4,360)	(33,770)
Withholding tax on unremitted profit of joint ventures and subsidiaries	13,019	14,807
Unrecognised deferred tax assets	9,662	2,258
Others	1,245	—
Overprovision in prior financial year	—	(580)
Total income tax expense for the financial year	338,176	288,500

Notes to Financial Statements

For the financial year ended 31 December 2015

10. EARNINGS PER SHARE

Basic earnings per share is based on:

	Continuing operations		Group Discontinued operations		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to ordinary shareholders	597,221	675,323	–	64,092	597,221	739,415

	2015 (‘000)	2014 (‘000)
Number of ordinary shares in issue at beginning of the financial year	1,045,662	718,856
Issue of shares under share options scheme	1,662	2,537
Issue of shares upon conversion of convertible bonds	59,600	25,894
Issue of shares in connection with the acquisition of subsidiaries	152,867	36,807
Issue of shares under Bonus Issue	54,741	41,298
Conversion of RCPS	–	41,866
Weighted average number of ordinary shares in issue during the financial year	1,314,532	867,258

Diluted earnings per share is based on:

	Continuing operations		Group Discontinued operations		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributed to ordinary shareholders	597,221	675,323	–	64,092	597,221	739,415
Adjustment on the finance costs arising from full conversion of convertible bonds	7,073	40,538	–	–	7,073	40,538
Adjusted profit attributable to ordinary shareholders	604,294	715,861	–	64,092	604,294	779,953

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, full conversion of the Redeemable Convertible Preference Shares (“RCPS”) to ordinary shares and full conversion of convertible bonds into ordinary shares, with the potential ordinary shares weighted for the period outstanding.

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For the financial year ended 31 December 2015

10. EARNINGS PER SHARE (cont'd)

The effects of the exercise of share options, conversion of the RCPS and conversion of the convertible bonds on the weighted average number of ordinary shares in issue are as follows:

	2015 (‘000)	2014 (‘000)
Weighted average number of:		
Ordinary shares used in the calculation of basic earnings per share	1,314,532	867,258
Potential ordinary shares issuable under:		
– RCPS	–	93,915
– Share options	1,752	1,243
– Convertible bonds	64,710	196,266
Weighted average number of ordinary shares in issue and potential ordinary shares assuming full conversion	1,380,994	1,158,682

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 HK\$’000	2014 HK\$’000	2015 HK\$’000	2014 HK\$’000
Cash at bank and in hand	308,582	172,340	35,268	37,926
Fixed deposits with banks	1,834,975	876,838	1,027,510	86,144
Cash and cash equivalents	2,143,557	1,049,178	1,062,778	124,070

The effective interest rates per annum of cash and cash equivalents at the financial year end range from 0.05% to 4.20% (2014: 0.05% to 4.25%) per annum and 0.05% to 4.20% (2014: 0.05% to 0.90%) per annum for the Group and the Company, respectively. Interest rates reprice at intervals of one to three months.

The Group’s and Company’s cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2015 HK\$’000	2014 HK\$’000	2015 HK\$’000	2014 HK\$’000
United States dollars	117,703	134,982	89,297	102,323
Singapore dollars	13,861	17,624	13,862	17,624
Chinese Renminbi	973,397	2,777	958,085	2,702

Conversion of Chinese Renminbi into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to Financial Statements

For the financial year ended 31 December 2015

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from subsidiaries (non- trade) (net of allowances for doubtful debts)	–	–	1,121,577	764,459
Dividend receivable from subsidiary	–	–	–	242,355
Amount receivable from joint ventures	53,217	50,704	–	–
Amount receivable from authorities	50,962	96,382	–	–
Dividends receivable from joint ventures	30,853	190	–	–
Subsidy receivable from Sino joint venture partners	28,998	8,049	–	–
Amount receivable from toll operations	37,634	29,855	–	–
Deposits	865	984	769	878
Prepayments	2,708	5,796	92	4,648
Other receivables	32,836	7,801	2,531	607
Trade and other receivables	238,073	199,761	1,124,969	1,012,947
Add: Cash and cash equivalents (Note 11)	2,143,557	1,049,178	1,062,778	124,070
Less: Prepayments	(2,708)	(5,796)	(92)	(4,648)
Loans and receivables at amortised cost (Note 30(a))	<u>2,378,922</u>	<u>1,243,143</u>	<u>2,187,655</u>	<u>1,132,369</u>

The amounts due from subsidiaries and subsidy receivable from Sino joint venture partners are unsecured and interest-free, and are repayable on demand.

Amount receivable from authorities relates to compensation receivable as a result of relocation of certain toll stations of Guihuang JVs (Note 18).

In view of the loss-making position of one of the subsidiaries, the Company has continued to recognise an allowance for doubtful debts for amount due from subsidiaries of HK\$31,075,000 as at 31 December 2015 (2014: HK\$31,075,000) in respect of amount considered not recoverable.

There is no movement in the allowance for doubtful debts for amounts due from subsidiaries during the financial years ended 31 December 2015 and 2014.

Included in the Group's trade and other receivables are balances with a carrying amount of HK\$234,500,000 (2014: HK\$192,981,000) that are neither past due nor impaired. Based on historical default rates, the Group and the Company believe that no impairment allowance is necessary in respect of trade and other receivables not past due. These receivables are entities that have a good credit record with the Group.

The Group's and Company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars	2	72	2	72
Singapore dollars	1,162	1,626	1,162	1,626
Chinese Renminbi	166,238	155,325	3,544	245,700

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For the financial year ended 31 December 2015

13. INVENTORIES

	Group	
	2015	2014
	HK\$'000	HK\$'000
Consumable goods	907	970

14. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 27 September 2013, the Company entered into a conditional sale and purchase agreement with China Merchants Properties Development Limited, an indirectly wholly-owned subsidiary of China Merchants Group Limited, to dispose of its entire interests of China Merchants Pacific (NZ) Limited ("CMP(NZ)").

The sale consideration of HK\$356million is inclusive of the entire issued ordinary share capital of CMP(NZ) and the assignment of a shareholder's loan made by the Company to CMP(NZ).

As at 31 December 2013, the assets and liabilities relating to the New Zealand operations ("CMP(NZ)") have been presented in the statement of financial position as "Assets of disposal group classified as held-for-sale" and "Liabilities directly associated with disposal group classified as held-for-sale". All its results are presented separately in the income statement as "Profit/(Loss) from discontinued operations, net of tax".

On 16 April 2014, the Company announced that, as at 1 April 2014, all the conditions precedent for the completion of the disposal have been satisfied. Following such completion, the Company no longer holds any interest in CMP(NZ) and its subsidiaries, and CMP(NZ) and its subsidiaries will cease to be members of the Group (Note 17).

The results of CMP(NZ) for the financial year ended 31 December 2014 was as follows:

	2014 HK\$'000
Revenue	58,204
Impairment loss recognised on remeasurement of disposal group	(14,641)
Finance costs	(1,267)
Foreign currency translation difference reclassified to income statement upon disposal of discontinued operations	80,960
Profit for the financial year	64,092

Cash flow statement disclosures

	2014 HK\$'000
Operating	(22,127)
Investing	(517)
Financing	22,451
Net cash outflows	(193)

Notes to Financial Statements

For the financial year ended 31 December 2015

14. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (cont'd)

Earnings per share disclosures

	2014
Earnings per share from discontinued operations attributable to owners of the Company (HK Cents):	
Basic	7.39
Diluted	5.53

The basic and diluted earnings per share from discontinued operations are calculated by dividing the earnings from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

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For the financial year ended 31 December 2015

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fittings HK\$'000	Plant, machinery and office equipment HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Toll road infrastructure HK\$'000	Construction-in-progress HK\$'000	Total HK\$'000
Cost:										
At 1 January 2014	13,884	121,077	352	417	75,700	16,447	21,305	7,415	8,661	265,258
Additions (Note A)	–	–	1,180	310	2,821	1,657	4,872	–	56,050	66,890
Acquired on acquisition of subsidiaries	–	30	–	–	1,208	–	1,278	–	–	2,516
Disposal	–	–	(359)	(43)	(128)	(337)	(133)	–	–	(1,000)
Reclassifications	–	–	–	867	(3,409)	2,542	–	–	–	–
Transfers (Note 16)	–	–	–	1	(1,064)	12	25	–	(18,510)	(19,536)
Exchange differences	620	(409)	–	11	257	(19)	(33)	(25)	(1,714)	(1,312)
Disposal of discontinued operations	(14,504)	–	–	–	(12,237)	–	–	–	–	(26,741)
At 31 December 2014	–	120,698	1,173	1,563	63,148	20,302	27,314	7,390	44,487	286,075
Additions (Note A)	–	–	14	704	3,094	2,124	8,568	1,312	243,423	259,239
Acquired on acquisition of subsidiaries (Note 17)	–	–	–	435	207	372	2,232	–	–	3,246
Disposals	–	–	–	–	(1,164)	(536)	(243)	–	–	(1,943)
Reclassifications	–	1,850	–	–	2,259	3,619	–	2,548	(10,276)	–
Exchange differences	–	(7,107)	–	(120)	(4,758)	(1,355)	(1,803)	(561)	(10,617)	(26,321)
At 31 December 2015	–	115,441	1,187	2,582	62,786	24,526	36,068	10,689	267,017	520,296
Accumulated depreciation:										
At 1 January 2014	1,881	12,873	331	193	29,731	6,817	6,865	2,928	–	61,619
Depreciation	–	5,219	29	187	8,489	5,585	3,773	2,415	–	25,697
Disposals	–	–	(347)	(40)	(87)	(244)	(63)	–	–	(781)
Reclassifications	–	–	–	13	(182)	169	–	–	–	–
Exchange differences	84	(16)	–	8	281	25	(1)	5	–	386
Disposal of discontinued operations	(1,965)	–	–	–	(8,188)	–	–	–	–	(10,153)
At 31 December 2014	–	18,076	13	361	30,044	12,352	10,574	5,348	–	76,768
Depreciation	–	5,119	120	236	7,362	3,114	4,416	1,848	–	22,215
Disposals	–	–	–	–	(442)	(396)	(27)	–	–	(865)
Exchange differences	–	(1,226)	–	(33)	(1,958)	(815)	(732)	(374)	–	(5,138)
At 31 December 2015	–	21,969	133	564	35,006	14,255	14,231	6,822	–	92,980
Carrying amount:										
At 31 December 2015	–	93,472	1,054	2,018	27,780	10,271	21,837	3,867	267,017	427,316
At 31 December 2014	–	102,622	1,160	1,202	33,104	7,950	16,740	2,042	44,487	209,307

Note A

Included in the addition of property, plant and equipment is an amount of HK\$13,429,000 (2014: HK\$16,937,000) which remains payable as at 31 December 2015.

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15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold improvements HK\$'000	Furniture and fittings HK\$'000	Office equipment HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:						
At 1 January 2014	497	174	190	402	2,033	3,296
Additions	1,180	91	12	–	–	1,283
Disposals	(497)	(100)	(27)	(96)	–	(720)
At 31 December 2014	1,180	165	175	306	2,033	3,859
Additions	14	–	–	167	–	181
Disposals	–	–	–	(42)	–	(42)
At 31 December 2015	1,194	165	175	431	2,033	3,998
Accumulated depreciation:						
At 1 January 2014	476	173	178	233	260	1,320
Depreciation	29	4	4	56	196	289
Disposals	(485)	(100)	(27)	(97)	–	(709)
At 31 December 2014	20	77	155	192	456	900
Depreciation	120	18	6	54	196	394
Disposals	–	–	–	(37)	–	(37)
At 31 December 2015	140	95	161	209	652	1,257
Carrying amount:						
At 31 December 2015	1,054	70	14	222	1,381	2,741
At 31 December 2014	1,160	88	20	114	1,577	2,959

16. INTANGIBLE ASSETS

	Group	
	2015 HK\$'000	2014 HK\$'000
Cost:		
At 1 January	13,794,578	10,169,852
Acquired on acquisition of subsidiaries (Note 17)	9,816,994	3,626,513
Transfer from construction-in-progress	–	19,536
Additions	4,024	–
Written off during the financial year	–	(265)
Exchange differences	(1,004,856)	(21,058)
At 31 December	22,610,740	13,794,578
Amortisation:		
At 1 January	1,365,482	885,344
Amortisation for the financial year	544,156	480,415
Written off during the financial year	–	(80)
Exchange differences	(97,497)	(197)
At 31 December	1,812,141	1,365,482
Carrying amount:		
At 31 December	20,798,599	12,429,096

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For the financial year ended 31 December 2015

16. INTANGIBLE ASSETS (cont'd)

The Group's intangible assets mainly pertain to toll road operating rights of its subsidiaries, namely, Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd ("Yongtaiwen"), Ningbo Beilun Port Expressway Co., Ltd ("Beilun"), Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd ("Jiurui"), Guangxi Guixing Expressway Investment And Construction Co., Ltd ("Guixing"), Guangxi Guiwu Expressway Guiyang Section Investment And Construction Co., Ltd ("Guiyang") and Guangxi Huatong Expressway Co., Ltd ("Yangping").

According to the relevant government's approval documents and the relevant laws and regulations:

- (a) Yongtaiwen was granted the rights to operate Wenzhou Yongtaiwen Expressway (Wenzhou Section) located in the south-eastern area of Wenzhou Municipality (温州市) connecting with Taizhou Municipality (台州市) in the east and Fujian Province (福建省) in the west for a period of approximately 29 years from January 2002 to September 2030;
- (b) Beilun was granted the rights to operate Beilun Port Expressway (Ningbo Daqi-Xiwu Section) located in the south-western area of Ningbo Municipality (宁波市) connecting with Taizhou Municipality (台州市) in the south and Hangzhou Municipality (杭州市) in the west for a period of 25 years from December 1998 to December 2023 for Daqi-Dazhuji Section (宁波大碇至大朱家段) and from May 2000 to May 2025 for Panhuo-Xiwu Section (宁波潘火至西坞段);
- (c) Jiurui was granted the rights to operate Jiurui Expressway located at the east-western area of Jiujiang Municipality (九江市) connecting with Ruichang Municipality (瑞昌市) in the west of Jiangxi Province (江西省) for a period of 30 years from 1 January 2011 to 31 December 2040;
- (d) Guixing was granted the rights to operate the Guilin-Xing'an Expressway located at the northern area of Guilin Municipality (桂林市) connecting Guilin urban area with Xing'an County (兴安县) in the northeast of Guangxi (广西) for a period of 29 years from April 2013 to April 2042;
- (e) Guiyang was granted the rights to operate the Guilin-Yangshou Expressway located at the southern area of Guilin Municipality (桂林市), which is a part of the G65 National Expressway System connecting Baotou Municipality (包头市) of Inner Mongolia and Maoming Municipality (茂名市) of Guangdong Province (广东省) for a period of 29 years from August 2008 to July 2037; and
- (f) Yangping was granted the rights to operate the Yangshou-Pingle Expressway located at the eastern area of Guilin Municipality (桂林市) connecting Yangshou County (阳朔县) with Pingle County (平乐县) in the north-east of Guangxi for a period of 29 years from November 2008 to June 2037.

The amortisation expense, which is recognised over the remaining period of toll roads operating rights has been included as "cost of sales" in the income statement.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2015 HK\$'000	2014 HK\$'000
Investments in subsidiaries, at cost	1,091,890	1,091,890
Loans to subsidiaries	11,317,749	6,811,575
	12,409,639	7,903,465
Impairment losses	(89,733)	(89,733)
	12,319,906	7,813,732

The loans to subsidiaries are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. These loans form part of the Company's net investments in the subsidiaries.

There are no movements to the Company's provision of impairment losses during the financial years ended 31 December 2014 and 2015.

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For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Details of the Company's significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective equity held by the Company	
			2015 %	2014 %
Day Castle Investment Limited ⁽¹⁾	Hong Kong	Investment holding	100	100
China Merchants Pacific Infrastructure Management (Shenzhen) Co., Ltd ⁽⁵⁾	PRC	Provision of management and technical services in toll road and other infrastructure related businesses	100	100
China Merchants Pacific (Shenzhen) Investment Co., Ltd and its subsidiaries ⁽⁵⁾ :	PRC	Investment holding	100	100
Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd ⁽⁵⁾	PRC	Operation of toll road	51	51
China Merchants Pacific Business Management (Beijing) Co., Ltd. ⁽⁵⁾	PRC	Providing business management and consultancy service	100	100
Successful Road Corporation ⁽²⁾	British Virgin Islands	Investment holding	100	100
Successful Road Corporation (S) Pte. Ltd. ⁽³⁾ and its subsidiaries ⁽⁴⁾ :	Singapore	Investment holding	100	100
Zheyu One Highway Pte. Ltd. ⁽⁷⁾	Singapore	Investment holding	100	100
Zheyu Two Highway Pte. Ltd. ⁽⁷⁾	Singapore	Investment holding	100	100
Zheyu Three Highway Pte. Ltd. ⁽⁷⁾	Singapore	Investment holding	100	100
Xinan Expressway Pte. Ltd. ⁽³⁾	Singapore	Investment holding	100	100
Guijin Expressway Pte. Ltd. ⁽³⁾	Singapore	Investment holding	100	100
Guiyun Highway Pte. Ltd. ⁽³⁾	Singapore	Investment holding	100	100
Beilun (Hong Kong) Investments Limited ⁽¹⁾ and its subsidiary:	Hong Kong	Investment holding	100	100
Ningbo Beilun Port Expressway Co., Ltd. ⁽⁵⁾	PRC	Operation of toll road	100	100

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17. INTERESTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation and operation	Principal activities	Effective equity held by the Company	
			2015 %	2014 %
Hong Kong Honest Queen International Investment Limited ⁽¹⁾ and its subsidiary:	Hong Kong	Investment holding	100	100
Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd ⁽⁵⁾	PRC	Operation of toll road	100	100
Xinan Guixing Expressway Pte. Ltd. ^{(3) (6)} and its subsidiary:	Singapore	Investment holding	100	–
Guangxi Guixing Expressway Investment and Construction Co., Ltd. ⁽⁵⁾	PRC	Operation of toll road	100	–
Xinan Guiyang Expressway Pte. Ltd. ^{(3) (6)} and its subsidiary:	Singapore	Investment holding	100	–
Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd ⁽⁵⁾	PRC	Operation of toll road	100	–
Xinan Yangping Expressway Pte. Ltd. ^{(3) (6)} and its subsidiary:	Singapore	Investment holding	100	–
Guangxi Huatong Expressway Co., Ltd ⁽⁵⁾	PRC	Operation of toll road	100	–

⁽¹⁾ Audited by ShineWing Certified Public Accountants, Hong Kong, a member of Praxity Global Alliance of Independent Firms, for statutory purposes.

⁽²⁾ The financial statements of Successful Road Corporation ("SRC") are not required to be audited by the law of its country of incorporation and it had remained inactive during the financial year.

⁽³⁾ Audited by Mazars LLP, Singapore, for statutory purposes.

⁽⁴⁾ Audited by Mazars LLP, Singapore, for consolidation purposes.

⁽⁵⁾ Audited by ShineWing Certified Public Accountants, PRC, a member of the Chinese Institute of Certified Public Accountants and a member of Praxity Global Alliance of Independent Firms, for statutory purposes.

⁽⁶⁾ Incorporated during the financial year.

⁽⁷⁾ In the process of liquidation.

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17. INTERESTS IN SUBSIDIARIES (cont'd)

The Group has the following subsidiary which has non-controlling interests ("NCI") that are material to the Group:

Subsidiary	Principal place of business	Proportion of ownership interest held by NCI		Profit allocated to NCI during the financial year		Accumulated NCI at the financial year end		Dividends paid to NCI	
		2015	2014	2015	2014	2015	2014	2015	2014
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd	PRC	49	49	360,751	320,199	2,611,160	2,555,731	152,987	404,470

Summarised financial information (before intercompany eliminations):

	Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd	
	2015	2014
	HK\$'000	HK\$'000
Assets		
Non-current	5,807,559	6,443,482
Current	365,988	40,159
Liabilities		
Non-current	312,662	566,071
Current	617,654	797,190
Net assets	5,243,231	5,120,380
Revenue	1,680,332	1,639,636
Profit after tax	740,527	658,126
Total comprehensive income	740,527	658,126
Net cash flow from operating activities	1,132,340	972,065

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group except cash and cash equivalents of HK\$1,065,267,000 (2014: HK\$925,033,000) as at 31 December 2015 held in People's Republic of China are subject to local exchange control regulations which restrict the amount of currency to be exported other than through dividends.

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17. INTERESTS IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in the current financial year

On 23 June 2015, the Group entered into the following Sale and Purchase Agreements in relation to the proposed acquisitions of three expressways located in the Guangxi Zhuang Autonomous Region ("Guangxi"), the PRC:

- A conditional share and purchase agreement ("Guixing SPA") to purchase all the issued shares of Guangxi Guixing Expressway Investment and Construction Co., Ltd (广西桂兴高速公路投资建设有限公司) ("Guixing Target"), which owns the rights to operate the Guilin-Xing'an Expressway (桂林至兴安高速公路) ("Guixing Expressway"), for a cash consideration of RMB1,258,608,469;
- A conditional share and purchase agreement ("Guiyang SPA") to purchase all the issued shares of Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd (广西桂梧高速公路桂阳段投资建设有限公司) ("Guiyang Target"), which owns the rights to operate the Guilin - Yangshuo Expressway (桂林至阳朔高速公路) ("Guiyang Expressway"), for a cash consideration of RMB930,000,000; and
- A conditional share and purchase agreement ("Yangping SPA") to purchase all the issued shares of Guangxi Huatong Expressway Co., Ltd (广西华通高速公路有限责任公司) ("Yangping Target"), which owns the right to operate the Yangshuo - Pingle Expressway (阳朔至平乐高速公路) ("Yangping Expressway"), for a cash consideration of RMB848,000,000.

The acquisition is to expand the Group's business in the operation of toll roads.

The Group treats this acquisition of subsidiaries as business combination. The completion of the acquisition of the subsidiaries were on 23 September 2015 (Yangping Expressway) and 16 October 2015 (Guixing Expressway and Guiyang Expressway), which are also the dates the Group obtained control.

Fair values of the identifiable assets and liabilities of the above entities as at the date of acquisition:

	Guangxi Guixing Expressway Investment and Construction Co., Ltd HK\$'000	Guangxi Guiwu Expressway Guiyang Section Investment and Construction Co., Ltd HK\$'000	Guangxi Huatong Expressway Co., Ltd HK\$'000	Total HK\$'000
Property, plant and equipment (Note 15)	1,769	1,167	310	3,246
Trade and other receivables	12,553	16,931	2,951	32,435
Intangible assets (Note 16)	4,297,008	3,242,451	2,277,535	9,816,994
Cash and cash equivalents	10,630	15,880	2,143	28,653
Interest-bearing liabilities	(1,939,429)	(1,410,993)	(1,128,634)	(4,479,056)
Deferred tax liabilities	(79,308)	(10,334)	(79,249)	(168,891)
Other liabilities	(768,771)	(713,467)	(43,476)	(1,525,714)
Net identifiable assets at fair value	1,534,452	1,141,635	1,031,580	3,707,667
Total consideration payable	(1,534,244)	(1,133,670)	(1,031,338)	(3,699,252)
Bargain purchase gain arising from acquisitions	208	7,965	242	8,415

Notes to Financial Statements

For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in the current financial year (cont'd)

Effects of the acquisition of the subsidiaries on cash flow:

	2015 HK\$'000
Total consideration for 100% equity interest acquired	
- Guixing Expressway	1,534,244
- Guiyang Expressway	1,133,670
- Yangping Expressway	1,031,338
	3,699,252
Consideration paid in cash	3,699,252
Less: Cash and cash equivalents of subsidiaries acquired	(28,653)
Net cash outflows on acquisition during the financial year ended 31 December 2015	3,670,599

No contingent consideration arrangements and contingent liabilities were identified at acquisition.

Trade and other receivables comprise gross contractual amounts due and all of which are expected to be collectible at the date of acquisition.

The bargain purchase gain arising from acquisition of HK\$8,415,000 recorded as other operating income arose from the difference between total consideration and the fair value of the identified net assets. The consideration was decided based on the fair value of the transferred equity. This bargain purchase gain is not expected to be taxable for income tax purposes.

From the date of acquisition, the subsidiaries have contributed HK\$98,348,000 and HK\$9,137,000 to the revenue and profit, net of tax of the Group respectively. If the combination has taken place at the beginning of the financial year, the Group's revenue and profit, net of tax would have been approximately HK\$2,627,811,000 and HK\$971,468,000 respectively.

Transaction costs related to the acquisition of HK\$11,636,000 have been recognised in the Group's profit or loss for the financial year ended 31 December 2015.

Acquisition of subsidiaries in Year 2014

In August 2014, the Group entered into a Sale and Purchase Agreement to acquire 100% equity interest in Hong Kong Honest Queen International Investment Limited and its subsidiary, Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd (collectively known as "Jiurui Expressway"). Jiurui Expressway is principally engaged in the operation of toll road. The transaction was completed on 9 September 2014. The acquisition is to expand the Group's business in the operation of toll roads.

The Group treats this acquisition of subsidiaries as business combination. The acquisition date is 9 September 2014, which is also the date the Group obtained control over Jiurui Expressway.

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For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Acquisition of subsidiaries in Year 2014 (cont'd)

Fair values of the identifiable assets and liabilities of Hong Kong Honest Queen International Investment Limited and its subsidiary as at the date of acquisition:

	Fair value recognised on date of acquisition HK\$'000
Property, plant and equipment (Note 15)	2,516
Trade and other receivables	8,539
Intangible assets (Note 16)	3,626,513
Cash and cash equivalents	11,885
Interest-bearing liabilities	(1,509,285)
Deferred tax liabilities	(249,707)
Other liabilities	(1,026,638)
Net identifiable assets at fair value	863,823
Total consideration payable	(841,040)
Bargain purchase gain arising from acquisition	(22,783)

Effects of the acquisition of the subsidiaries on cash flow:

	HK\$'000
Total consideration for 100% equity interest acquired	841,040
Issue of 119,374,987 ordinary shares	(693,552)
Consideration paid in cash	147,488
Less: Cash and cash equivalents of subsidiaries acquired	(11,885)
Exchange difference	(819)
Net cash outflows on acquisition during the financial year ended 31 December 2014	134,784

No contingent consideration arrangements and contingent liabilities were identified at acquisition.

Trade and other receivables comprise gross contractual amounts due and all of which are expected to be collectible at the date of acquisition.

The bargain purchase gain arising from acquisition of HK\$22,783,000 recorded as other operating income arose from the difference between total consideration and the net assets value. The consideration was decided based on the fair value of the transferred equity. This bargain purchase gain is not expected to be taxable for income tax purposes.

The fair value of the 119,374,987 ordinary shares issued as part of the consideration paid for the acquisition (HK\$693,552,000) was based on the published share price on 9 September 2014.

From the date of acquisition, Hong Kong Honest Queen International Investment Ltd and its subsidiary have contributed HK\$31,297,000 and HK\$12,287,000 to the revenue and profit, net of tax of the Group respectively. If the combination has taken place at the beginning of the financial year, the Group's revenue and profit, net of tax would have been approximately HK\$2,088,692,000 and HK\$1,009,890,000 respectively.

Transaction costs related to the acquisition of HK\$4,544,000 have been recognised in the Group's profit or loss for the financial year ended 31 December 2014.

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For the financial year ended 31 December 2015

17. INTERESTS IN SUBSIDIARIES (cont'd)

Disposal of discontinued operations in Year 2014

On 16 April 2014, the Company disposed of its entire interest in China Merchants Pacific (NZ) Limited ("CMP(NZ)") and its subsidiaries to a related company for cash consideration of approximately HK\$356 million.

Carrying amounts of the assets and liabilities as at the date of disposal are as follows:

	Carrying amount HK\$'000
Property, plant and equipment	16,588
Deferred tax assets	23,730
Inventories	567,136
Trade and other receivables	7,815
Cash and cash equivalents	546
Trade and other payables	(175,846)
Interest-bearing liabilities	(38,307)
Provision for warranties	(7,228)
	394,434
Allowance made for impairment loss as remeasurement of disposal group	(38,382)
Net assets	356,052
Cash consideration	356,052
Cash and cash equivalents of CMP(NZ)	(546)
Net cash inflow on disposal of CMP(NZ)	355,506
Gain on disposal:	
Consideration received	356,052
Net assets derecognised	(356,052)
Allowance made for impairment loss as remeasurement of disposal group	(14,641)
Cumulative exchange differences relating to CMP(NZ) reclassified from equity to profit or loss	80,960
Gain on disposal	66,319

18. INTERESTS IN JOINT VENTURES

	Group	
	2015 HK\$'000	2014 HK\$'000
Investments in joint ventures	674,018	674,018
Share of post-acquisition undistributed profits and other comprehensive income, net of dividends received	968,269	1,033,977
Impairment losses	(100,000)	(100,000)
	1,542,287	1,607,995
Loans to joint ventures	42,258	94,471
	1,584,545	1,702,466

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18. INTERESTS IN JOINT VENTURES (cont'd)

Movement of accumulated impairment loss:

	2015 HK\$'000	2014 HK\$'000
At 1 January and 31 December	100,000	100,000

The non-interest-bearing loans to joint ventures are an extension of the Group's net investment in joint ventures. The repayment of the amount is at the discretion of the joint ventures.

All joint ventures are private companies and there is no quoted market price available for its shares.

There are no commitments and contingent liabilities relating to the Group's interests in the joint ventures.

Details of the joint ventures are as follows:

- (i) The Guiliu Expressway located in Guangxi, PRC, is operated by 12 joint venture companies (the "Guiliu JVs"). The Guiliu JVs are Sino-foreign co-operative joint ventures established in the PRC with operating periods expiring on 31 December 2024. The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of joint venture	Place of establishment and business	Principal activities	Effective equity held by the Group	
			2015 %	2014 %
Guangxi Fushan Infrastructure Facilities Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Guida Infrastructure Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Liugui Highway Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Liujing Highway Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Luqing Highway Construction Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Xincun Highway Management Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40

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18. INTERESTS IN JOINT VENTURES (cont'd)

Name of joint venture	Place of establishment and business	Principal activities	Effective equity held by the Group	
			2015 %	2014 %
Guangxi Rongzhu Highway Construction Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Huangli Highway Surface Management Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Wanli Highway Engineering Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Wushi Highway Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Xinya Engineering Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40
Guangxi Zhenxing Infrastructure Co., Ltd. ^{(1) (2) (3)}	PRC	Operation of toll road	40	40

The Group and other joint venturer jointly control these 12 joint venture companies.

The Group's profit/cash sharing entitlement in Guiliu JVs differs from the proportion of the registered capital held. The Group was entitled to share 90% of the JV's profit/cash during the period from 1 January 2000 to 31 December 2009.

Thereafter, the profit/cash sharing ratios of the Group in Guiliu JVs will be the same as the proportion of the registered capital held by the Group. Upon expiration of the operating periods, all property, plant and equipment of Guiliu JVs shall be transferred to the respective Sino joint venture partners without compensation.

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For the financial year ended 31 December 2015

18. INTERESTS IN JOINT VENTURES (cont'd)

- (ii) The Guihuang Highway (comprising the Guihuang Class 1 Highway and Eastgate Expressway) located in Guizhou, PRC, is operated by 4 joint venture companies (the "Guihuang JVs"). The Guihuang JVs are Sino-foreign co-operative joint ventures established in the PRC. The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of joint venture	Place of establishment and business	Principal activities	Effective equity held by the Group	
			2015 %	2014 %
Guizhou Jinguan Highway Co., Ltd. ^{(1) (2) (4)}	PRC	Operation of toll road	60	60
Guizhou Jinhua Highway Co., Ltd. ^{(1) (2) (4)}	PRC	Operation of toll road	60	60
Guizhou Pantao Highway Co., Ltd. ^{(1) (2) (4)}	PRC	Operation of toll road	60	60
Guizhou Yunguan Highway Co., Ltd. ^{(1) (2) (4)}	PRC	Operation of toll road	60	60

The Group and other joint venturer jointly control these 4 joint venture companies.

Guihuang JVs were initially granted a 30-year concession period for the operation of the Guihuang Highway from 16 April 1997 to 15 April 2027 (the "Concession Expiry Date"). Pursuant to a notice issued by the Ministry of Transport of the People's Republic of China ("PRC"), the relevant governmental authorities in Guizhou Province, PRC, have determined that the Concession Expiry Date for the Guihuang Class 1 Highway shall be amended to 15 May 2021 (the "Revised Concession Expiry Date"). The Concession Expiry Date for the Eastgate Expressway remains unchanged.

The Group's profit/cash sharing entitlement in Guihuang JVs differs from the proportion of the registered capital held. Pursuant to the Guihuang joint venture agreements (comprising all original and supplemental joint venture agreements), the Group shall be entitled to share 100% of the JV's profit/cash during the period from 1 January 2000 to 31 October 2017.

Thereafter, the profit/cash sharing ratio of Guihuang JVs will be the same as the proportion of the registered capital held by the Group. Upon expiration of the operating periods of Guihuang JVs, all property, plant and equipment of these joint ventures shall be transferred to the respective Sino joint venture partners without compensation.

In 2014, the relevant government authorities in Guizhou Province, PRC, have exercised their authority to relocate and remove certain toll stations along the Guihuang Highway as part of the urban transportation plan for the development of Guiyang city ("Toll Station Relocations"). In this regard, a Relocation Agreement and a Compensation Agreement have been entered into between the Group and the respective parties in January 2014.

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For the financial year ended 31 December 2015

18. INTERESTS IN JOINT VENTURES (cont'd)

Pursuant to the terms of the Compensation Agreement, as compensation as a result of the Toll Station Relocations, an aggregate sum of RMB187.44 million (approximately HK\$238.4 million) will be paid by the Transportation Bureau of Guiyang city in four instalments. As at 31 December 2015, deferred income from this compensation amounted to HK\$135,336,000 (2014: HK\$160,002,000) relating to future periods was recorded.

- (1) Audited by ShineWing Certified Public Accountants, PRC, a member of the Chinese Institute of Certified Public Accountants and member of Praxity Global Alliance of Independent Firms, for consolidation purposes.
- (2) Although the Group owns more or less than 50% of the equity shares of the entities, the Group and other parties undertake an economic activity that is subject to joint control as established by contractual agreements and the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Accordingly, the entities are regarded as joint ventures.
- (3) Audited by 广西中威华通会计师事务所 (Guangxi Zhongwei Huatong Certified Public Accountants Co., Ltd.), a member of the Chinese Institute of Certified Public Accountants, for statutory purposes.
- (4) Audited by 立信会计师事务所 (特殊普通合伙) 贵州分所 (BDO China Shu Lun Pan Certified Public Accountants LLP), a member of the Chinese Institute of Certified Public Accountants, for statutory purposes.

Summarised financial information of the Group's joint ventures ("JV"), reflecting 100% of the underlying joint ventures relevant figures, is set out below.

	<u>Guiliu JVs</u>		<u>Guihuang JVs</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets and liabilities	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Toll road operating rights	1,636,600	1,862,289	452,833	617,508	2,089,433	2,479,797
Other non-current assets	90,286	39,835	25,586	30,879	115,872	70,714
Non-current assets	1,726,886	1,902,124	478,419	648,387	2,205,305	2,550,511
Current assets, excluding cash and cash equivalents	230,656	120,228	126,161	104,425	356,817	224,653
Cash and cash equivalents	243,330	317,560	269,925	117,437	513,255	434,997
Total assets	2,200,872	2,339,912	874,505	870,249	3,075,377	3,210,161
Non-current liabilities	116,220	169,395	37,340	69,819	153,560	239,214
Current liabilities	61,211	66,126	240,608	125,710	301,819	191,836
Total liabilities	177,431	235,521	277,948	195,529	455,379	431,050
Net assets	2,023,441	2,104,391	596,557	674,720	2,619,998	2,779,111
Group's share of JV's net assets	809,376	841,756	357,934	404,832	1,167,310	1,246,588
Add: Adjustment of premium on acquisition at initial investment in JV (net of amortisation)	161,644	191,620	42,382	60,660	204,026	252,280
Add: Additional share of profit for current year	—	—	38,846	66,633	38,846	66,633
Less: Dividends from JV	(170,353)	(157,145)	(32,779)	(215,819)	(203,132)	(372,964)
Add: Others*	252,757	250,858	82,480	164,600	335,237	415,458
At 31 December	1,053,424	1,127,089	488,863	480,906	1,542,287	1,607,995

* Others include exchange differences and other miscellaneous adjustments.

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18. INTERESTS IN JOINT VENTURES (cont'd)

There are no non-financial assets and liabilities as at the financial years ended 31 December 2014 and 2015.

These joint ventures have no bank borrowings as at 31 December 2014 and 2015.

	Guiliu JVs		Guihuang JVs		Total	
	2015	2014	2015	2014	2015	2014
Results	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	742,200	790,600	252,989	299,076	995,189	1,089,676
Interest income	3,860	6,048	877	4,963	4,737	11,011
Expenses, including the following:	(230,229)	(268,280)	(144,666)	(118,875)	(374,895)	(387,155)
Depreciation and amortisation	(131,331)	(128,731)	(102,552)	(109,768)	(233,883)	(238,499)
Profit before tax	515,831	528,368	109,200	185,164	625,031	713,532
Income tax expense	(77,052)	(78,378)	(12,084)	(18,582)	(89,136)	(96,960)
Total profit after tax and other comprehensive income	438,779	449,990	97,116	166,582	535,895	616,572
Group's interest	40%	40%	60%	60%		
Group's share of current year's comprehensive income	175,512	179,996	58,270	99,949	233,782	279,945
Add/(Less): Adjustments						
Additional share of profit	-	-	38,846	66,633	38,846	66,633
Alignment to Group's accounting policy	(3,513)	(2,210)	(16,833)	(24,927)	(20,346)	(27,137)
Other adjustments:						
- Amortisation of premium	(25,293)	(24,016)	(15,186)	(15,897)	(40,479)	(39,913)
- Others	3,950	144	16,824	(15,255)	20,774	(15,111)
Share of results of joint ventures, net of tax	150,656	153,914	81,921	110,503	232,577	264,417

The joint ventures ("JV") are categorised into 2 JV groups, being Guiliu JV group and Guihuang JV group, respectively, on the basis that each JV within the respective groups has been set up to hold investment in different sections of the Guiliu and Guihuang toll roads respectively. Hence, management is of the view that such presentation will better explain the nature and extent of the Group's interests in the JVs and the effects of the interests on the Group's financial position, financial performance and cash flows.

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18. INTERESTS IN JOINT VENTURES (cont'd)

Dividends received/receivable from Guiliu JVs and Guihuang JVs amounted to HK\$170,354,000 (2014: HK\$157,145,000) and HK\$32,779,000 (2014: HK\$215,819,000) respectively.

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

At 31 December 2015, the carrying amount of the Group's investments in joint ventures of HK\$1,542,287,000 (2014: HK\$1,607,995,000) included the Group's share of the post-acquisition results of the joint ventures and is net of dividends received.

In arriving at the Group's share of post-acquisition results of the joint ventures, the lease prepayment for the toll road operating right owned by each joint ventures was amortised on an units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the lease term for which the joint venture is granted the right to operate the toll road.

The projected total traffic volume over the lease term of each toll road was estimated based on certain assumptions concerning the future. Should the actual traffic volume deviate significantly from the original projected traffic volume, the amortisation of the joint ventures' toll road operating rights may be significantly affected and this could result in a material adjustment to the carrying amount of the Group's investments in the joint ventures.

19. CLUB MEMBERSHIP

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Club membership	376	376	896	896
Impairment losses	–	–	(520)	(520)
	376	376	376	376

20. DEFERRED TAX

	Group	
	2015 HK\$'000	2014 HK\$'000
Deferred tax liabilities	(1,079,720)	(960,955)

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20. DEFERRED TAX (cont'd)

Movements in deferred tax assets and liabilities of the Group during the financial year are as follows:

Group	Provisions and accelerated tax depreciation HK\$'000	Tax losses (Note a) HK\$'000	Distributable profit from joint ventures (Note b) HK\$'000	Distributable profit from subsidiaries (Note c) HK\$'000	Fair value adjustment of assets acquired (Note e) HK\$'000	Total HK\$'000
At 1 January 2014	4,292	18,425	(13,600)	(23,308)	(676,254)	(690,445)
Acquisition of subsidiaries	–	–	–	–	(249,707)	(249,707)
Credit/(Charge) to profit or loss (Note 9)	–	–	(14,882)	(15,300)	7,425	(22,757)
Utilisation	–	–	13,082	10,112	–	23,194
Exchange differences	191	822	–	–	1,477	2,490
Disposal of discontinued operations	(4,483)	(19,247)	–	–	–	(23,730)
At 31 December 2014	–	–	(15,400)	(28,496)	(917,059)	(960,955)
Acquisition of subsidiaries	–	–	–	–	(168,891)	(168,891)
Credit/(Charge) to profit or loss (Note 9)	–	–	(13,900)	(17,400)	5,177	(26,123)
Utilisation	–	–	8,518	11,255	–	19,773
Exchange differences	–	–	–	–	56,476	56,476
At 31 December 2015	–	–	(20,782)	(34,641)	(1,024,297)	(1,079,720)

- (a) Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.
- (b) Pursuant to the new Corporate Income Tax Law of the PRC which took effect on 1 January 2008, the Group is liable to 5% withholding tax on dividends distribution from the Group's foreign-invested enterprises in respect of its profit generated from 1 January 2008. Movement of deferred tax liabilities arising from distributable profits of the PRC joint ventures and subsidiary generated are expected to be distributed in the foreseeable future are as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Joint ventures		
At 1 January	15,400	13,600
(Over)/Underprovision in prior financial year	–	(518)
Charged for the financial year	13,900	15,400
Utilisation	(8,518)	(13,082)
At 31 December	20,782	15,400
Subsidiaries		
At 1 January	28,496	23,308
Charged for the financial year	17,400	15,300
Utilisation	(11,255)	(10,112)
At 31 December	34,641	28,496

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20. DEFERRED TAX (cont'd)

- (c) At 31 December 2015, deferred tax liability for taxable temporary differences of HK\$181,107,000 (2014: HK\$181,112,000) related to investments in certain subsidiaries and joint ventures was not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.
- (d) The following deductible temporary difference has not been recognised:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Tax losses	1,732,698	803,929	73,691	73,691

The tax losses are subject to agreement by tax authorities and compliance with tax regulations in the respective countries in which the Company and certain subsidiaries operate. Deferred tax assets have not been recognised in respect of the tax losses due to uncertainty in the availability of future taxable profit against which the Group and the Company can utilise the tax losses.

- (e) The deferred tax liability is recognised in respect of the fair value adjustment on property, plant and equipment and intangible assets of the acquired subsidiaries described in Note 17.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Trade payables	427,155	220,791	–	–
Deposits received	201	224	201	216
Other tax payable	65,284	55,916	–	–
Unclaimed dividends	1,459	1,498	1,459	1,498
Advance received	17,702	20,889	–	–
Other payables and accruals	1,573,424	316,613	23,896	20,111
Interest payable	11,180	17,360	6,261	15,854
Trade and other payables	2,096,405	633,291	31,817	37,679
Add: Dividend payable	149,609	498,009	149,609	498,009
Less: Other tax payable	(65,284)	(55,916)	–	–
Add: Borrowings (Note 22)	9,313,538	4,247,038	6,002,763	3,856,387
Financial liabilities at amortised cost (Note 30(a))	11,494,268	5,322,422	6,184,189	4,392,075

Other payables and accruals mainly comprise of security deposits and deposits for repairs and maintenance contracts.

The Group's and Company's trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States dollars	6,261	14,047	6,261	14,047
Singapore dollars	13,000	9,489	13,000	9,489
Chinese Renminbi	3,523	792	3,523	792

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For the financial year ended 31 December 2015

22. INTEREST-BEARING LIABILITIES

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loan A (i)	–	249,615	–	249,615
Less: unamortised borrowing costs	–	(831)	–	(831)
	–	248,784	–	248,784
Loan B (ii)	–	329,576	–	–
Loan C (iii)	32,553	61,075	–	–
Loan D (iv)	1,162,620	1,163,625	1,162,620	1,163,625
Less: unamortised borrowing costs	(7,754)	(11,545)	(7,754)	(11,545)
	1,154,866	1,152,080	1,154,866	1,152,080
Loan E (v)	1,705,176	1,706,650	1,705,176	1,706,650
Less: unamortised borrowing costs	(17,255)	(24,091)	(17,255)	(24,091)
	1,687,921	1,682,559	1,687,921	1,682,559
Loan F (vi)	302,281	–	302,281	–
Loan G (vii)	2,712,780	–	2,712,780	–
Loan H (viii)	1,897,824	–	–	–
Loan I (ix)	1,380,398	–	–	–
	9,168,623	3,474,074	5,857,848	3,083,423
Convertible bonds (x)	144,915	772,964	144,915	772,964
	9,313,538	4,247,038	6,002,763	3,856,387
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,556,497)	(402,048)	(3,525,247)	(248,784)
Amount due for settlement after 12 months	5,757,041	3,844,990	2,477,516	3,607,603

The Group has the following loans:

- (i) Bank loan A consists of a United States dollar facility of HK\$523,665,000 and a Hong Kong dollar facility of HK\$875,000,000 and is repayable in 2 tranches. Repayment commences on 31 January 2012 in instalments with final instalment on 31 July 2015. The interest rate of the respective tranches is charged at BBA LIBOR plus a margin of 0.8% and 1.75% per annum on its United States dollar facility and BBA HIBOR plus a margin of 0.8% and 1.75% per annum on its Hong Kong dollar facility. In the last financial year, the respective tranches average effective interest rate on the United States dollar facility was 2.71% and 2.87% per annum and the average effective interest rate on the Hong Kong dollar facility was 2.86% and 2.88% per annum. The loan was fully repaid during the year.
- (ii) Loan B is an unsecured Chinese Renminbi facility of RMB260,000,000. Repayments shall commence in September 2015 in three instalments with final instalment on 1 February 2017. In the last financial year, the average effective interest of the loan is 5.54% per annum. The loan was fully repaid during the year.
- (iii) Loan C from a local authority is to finance the operation of a PRC subsidiary and is unsecured and repayable on 15 June 2017. Interest is subject to annual adjustment by the relevant authority. The average effective interest of the loan is 3.30% (2014: 3.22%) per annum.

Notes to Financial Statements

For the financial year ended 31 December 2015

22. INTEREST-BEARING LIABILITIES (cont'd)

- (iv) Bank loan D is an unsecured United States dollar facility of US\$150,000,000. First repayment shall be 40% of the loan principal which falls in June 2017 while the repayment for the balance loan principal is in June 2018. The interest rate is charged at BBA LIBOR plus a margin of 1.95% per annum. The average effective interest rate of the loan is 2.63% (2014: 2.61%) per annum.
- (v) Bank loan E is an unsecured United States dollar facility of US\$220,000,000. Its repayment schedule is as follows:

<u>Repayment date</u>	<u>Repayment instalment</u>
September 2016	30%
September 2017	10%
September 2018	10%
September 2019	50%

The interest rate is charged at BBA LIBOR plus a margin of 2.10% per annum. The average effective interest rate of the loan is 2.87% per annum (2014: 2.83%).

- (vi) Bank loan F is an unsecured United States dollar facility of US\$50,000,000. It is a short term revolving loan. Partial repayment of US\$11,000,000 has been made during the year. The remaining loan is repayable on 21 May 2016. The interest rate is charged at BBA LIBOR plus a margin of 1.50% per annum. The average effective interest rate of the loan is 1.95% per annum.
- (vii) Bank loan G is an unsecured short term bridging United States dollar facility of US\$350,000,000. The loan is repayable on 14 September 2016. The interest rate is charged at BBA LIBOR plus a margin of 0.60% to 1.00% per annum. The average effective interest rate of the loan is 0.98% per annum.
- (viii) Loan H is a Chinese Renminbi facility of RMB1,591,000,000, guaranteed by the Company. Repayments commenced in 2015 with quarterly instalments ending in September 2030. The average effective interest of the loan is 4.41% per annum.
- (ix) Loan I is a Chinese Renminbi facility of RMB1,157,500,000, guaranteed by the Company. Repayments commenced in 2015 with quarterly instalments ending in October 2030. The average effective interest of the loan is 4.41% per annum.
- (x) Convertible bonds

The bonds issued by the Company on 6 November 2012 and with maturity date on 6 November 2017, come with an equity conversion feature which enables the bond holders to convert the bonds at any point in time during the bond period at a rate of S\$0.78 (2014: S\$0.84) per share and a put option exercisable only on 6 November 2015 for the bond holders to request the Company to redeem their bonds. The bonds also come with a redeemable feature which allows the Company to redeem the bonds at any time after 6 November 2015 till the maturity date, subject to the satisfaction of certain conditions, and a mandatory conversion option which allows the Company to mandatorily convert the bonds into equity on or at any time after 6 November 2015 but not less than 10 days prior to the maturity date, subject to the satisfaction of certain conditions relating to the closing price of the shares.

	Group and Company	
	2015	2014
	HK\$'000	HK\$'000
Carrying amount of interest-bearing liabilities as at 1 January	772,964	1,083,111
Partial conversion during the financial year	(454,449)	(327,705)
Partial redemption during the financial year	(182,029)	–
Accreted interest	8,429	17,558
Carrying amount of interest-bearing liabilities as at 31 December	144,915	772,964

Notes to Financial Statements

For the financial year ended 31 December 2015

22. INTEREST-BEARING LIABILITIES (cont'd)

(x) Convertible bonds (cont'd)

The fair value of the liability component, included in non-current interest-bearing liabilities, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue and are within Level 2 of the fair value hierarchy. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in capital reserve (Note 24).

On 6 November 2015, the Company has exercised its option of early redemption to redeem and cancelled HK\$189 million in aggregate principal amount of the bonds. The aggregate principal amount of the bonds remaining outstanding after redemption is HK\$150 million and the total number of issued and paid-up ordinary shares of the Company remain unchanged at 1,794,524,100 shares.

Upon early redemption of the convertible bond, the Group allocates the consideration paid and any transaction costs for the redemption to the liability and equity components of the convertible bonds at the date of the transaction.

The carrying amount of bank loans approximate their fair values due to either the relatively short term maturity of these loans or the interest rates approximate the market rates prevailing at end of the financial year.

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For the financial year ended 31 December 2015

23. SHARE CAPITAL

The issued and paid-up share capital comprises ordinary shares and redeemable convertible preference shares ("RCPS") and is as follows:

	Group and Company				
	Ordinary shares (with no par value)		RCPS		Total
	No. of shares (‘000)	HK\$’000	No. of shares (‘000)	HK\$’000	HK\$’000
Issued and fully paid:					
At 1 January 2014	718,856	2,238,351	135,781	492,055	2,730,406
Shares issued upon conversion of convertible bonds	66,411	351,204	–	–	351,204
Share options exercised	5,238	29,454	–	–	29,454
Shares issued in connection with the acquisition of subsidiaries (Note 17)	119,375	693,552	–	–	693,552
RCPS converted into fully paid ordinary shares	135,781	492,055	(135,781)	(492,055)	–
At 31 December 2014	1,045,661	3,804,616	–	–	3,804,616
At 1 January 2015	1,045,661	3,804,616	–	–	3,804,616
Shares issued upon conversion of convertible bonds	93,797	486,593	–	–	486,593
Share options exercised	2,150	11,082	–	–	11,082
Shares issued through preferential offering in connection with the acquisition of subsidiaries (Note 23)	598,175	3,248,686	–	–	3,248,686
Bonus issue	54,741	310,524	–	–	310,524
At 31 December 2015	1,794,524	7,861,501	–	–	7,861,501

During Year 2015:

- (i) 93,796,845 ordinary shares were issued as a result of the conversion of convertible bonds at the conversion price of S\$0.826 and S\$0.776 respectively;
- (ii) 2,150,000 ordinary shares were issued pursuant to share options scheme at a weighted average price of S\$0.789;
- (iii) 598,174,700 ordinary shares amounting to HK\$3,248,686,000 were issued through preferential share offering in connection to the acquisition of subsidiaries (Note 17). This preferential share offering is to finance the said acquisitions; and
- (iv) 54,740,985 ordinary shares were issued as a result of the bonus issue on the basis of 1 bonus share for every 20 existing shares held by the shareholders.

All newly issued ordinary shares in financial year 2015 rank pari passu with the existing ordinary shares.

Notes to Financial Statements

For the financial year ended 31 December 2015

23. SHARE CAPITAL (cont'd)

During Year 2014:

- (i) 66,411,293 ordinary shares were issued as a result of the conversion of convertible bonds at the conversion price of S\$0.84 and S\$0.826;
- (ii) 5,238,000 ordinary shares were issued pursuant to share options scheme at a weighted average price of S\$0.789;
- (iii) 119,375,987 ordinary shares were issued as a result of the acquisition of subsidiaries (Note 17); and
- (iv) 135,781,000 ordinary shares were issued as a result of the conversion of RCPS at the conversion rate of one ordinary share of the Company for every RCPS.

24. RESERVES

Share options reserve

The share options reserve comprises the cumulative value of employee services received for the issue of share options. When the share options are exercised, the related balance previously recognised in the share options reserve is transferred to share capital. When the share options expire, the related balance previously recognised in the share options reserve is transferred to accumulated profits. Further information about share-based payments to employees is set out in Note 25 of the financial statements.

Statutory reserve

The Group's joint ventures and subsidiaries follow PRC GAAP applicable to Sino-foreign co-operative joint venture enterprises in the preparation of their accounting records and statutory financial statements. According to the Articles of Association of the joint ventures and subsidiaries, they are required to transfer certain amounts from their profits after tax to statutory reserve. The transfers to the reserve must be made before the distribution of dividends to equity owners. The percentage of appropriation is at the discretion of the directors of the joint ventures. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

Currency translation reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group, as well as from the translation of foreign currency loans which form part of the Group's net investments in foreign operations.

Reserve on consolidation

The reserve on consolidation comprises the net excess of the fair values of the net assets over the deemed cost of business combination incurred by SRC in, and the effects arising from, the reverse acquisition of the Company in 2004.

Capital reserve

The capital reserve comprises the equity component of convertible bonds.

Notes to Financial Statements

For the financial year ended 31 December 2015

25. SHARE-BASED PAYMENTS

China Merchants Holdings (Pacific) Limited Share Options Scheme 2002 (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 30 May 2002 and modifications to the Scheme were approved by the members of the Company at Extraordinary General Meetings held on 27 April 2006 and 25 April 2008.

Information regarding the Scheme is as follows:

- Group employees (including executive directors), non-executive directors, parent company employees and associate employees, subject to certain conditions, are eligible to participate in the Scheme. Controlling shareholders and their associates are not eligible to participate in the Scheme.
- The maximum discount shall not exceed 20% of the market price on the date of grant of the options.
- Options granted with the exercise price set at market price may be exercised 1 year after the grant date. Options granted with exercise price set at a discount to market price may only be exercised 2 years after the grant date.
- All options are settled by physical delivery of shares.
- Options granted to eligible employees (including executive directors) expire after 10 years from the grant date. Options granted to non-executive directors expire after 5 years from the grant date.
- The Scheme has been expired in 2012.

Details of the share options outstanding during the financial year are as follows:

	Group and Company			
	2015		2014	
	Number of share options (‘000)	Weighted average exercise price S\$	Number of share options (‘000)	Weighted average exercise price S\$
Outstanding at the beginning of the financial year	4,250	0.78	9,488	0.78
Exercised during the financial year	(2,150)	0.78	(5,238)	0.78
Bonus issue during the financial year	105	0.75	–	–
Outstanding at the end of the financial year	2,205	0.75	4,250	0.78
Exercisable at the end of the financial year	2,205	0.75	4,250	0.78

On 2 June 2015, the Company has issued and allotted 105,000 bonus shares on the basis of one Bonus Share for every twenty fully paid Shares.

Notes to Financial Statements

For the financial year ended 31 December 2015

25. SHARE-BASED PAYMENTS (cont'd)

Share options outstanding at the end of the financial year have the following expiry dates and exercise prices:

Date of grant of options	Expiry date of options	Exercise price S\$	No. of share options outstanding	
			2015 (‘000)	2014 (‘000)
6 October 2006	6 October 2016	0.751	2,205	4,250

The exercise price of the share option has been adjusted during the financial year from S\$0.789 to S\$0.751 as a result of the bonus issue.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions

	Other employees of the Group
Grantees of options	6 October 2006
Date of grant of options	6 October 2006
Fair value at measurement date	S\$0.106
Share price	S\$0.800
Exercise price	S\$0.751
Expected volatility	25.52%
Expected option life	2.14 years
Expected dividends	6.73%
Risk-free interest rate	2.73%

The expected volatility is based on the historical volatility of comparable companies (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

There are no options granted under the 2002 Scheme to persons who were directors of the Company since the Scheme had expired in 2012.

26. CAPITAL COMMITMENTS

	Group	
	2015 HK\$'000	2014 HK\$'000
Capital expenditure contracted but not provided for		
- Commitments for construction-in-progress in relation to toll roads	154,390	–

Notes to Financial Statements

For the financial year ended 31 December 2015

27. SEGMENT REPORTING

The Group has one (2014: two) reportable segment(s), as described below, which is the Group's strategic business unit. The strategic business units are involved in two distinct business activities in two different countries. The Board of Directors of the Group reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Toll road operations : Management of the operations of toll roads.
- Property development (discontinued operation) : Residential house building and land development, and provision of mortgage financing for the purchase of residential houses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the management team. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Information about reportable segments

	Toll road operations HK\$'000
2015	
External revenue	2,173,779
Interest income	24,493
	<u>2,198,272</u>
Interest expense	(168,023)
Bargain purchase gain arose from acquisition of subsidiaries	8,415
Depreciation and amortisation	(565,977)
Reportable segment profit before income tax	<u>1,309,645</u>
Share of profit of joint ventures, net of tax	232,577
Reportable segment assets	22,539,541
Interests in joint ventures	1,584,545
Capital expenditure	259,058
Reportable segment liabilities	<u>11,513,462</u>

Notes to Financial Statements

For the financial year ended 31 December 2015

27. SEGMENT REPORTING (cont'd)

Information about reportable segments (cont'd)

2014	Toll road operations HK\$'000	Property development (discontinued) HK\$'000	Total HK\$'000
External revenue	1,994,314	58,204	2,052,518
Interest income	19,966	—	19,966
	2,014,280	58,204	2,072,484
Interest expense	(124,953)	(1,267)	(126,220)
Gain on disposal of discontinued operations	—	66,319	66,319
Bargain purchase gain arose from acquisition of subsidiaries	22,783	—	22,783
Depreciation and amortisation	(505,449)	(374)	(505,823)
Reportable segment profit before income tax	1,310,482	64,092	1,374,574
Share of profit of joint ventures, net of tax	264,417	—	264,417
Reportable segment assets	13,755,150	—	13,755,150
Interests in joint ventures	1,702,466	—	1,702,466
Capital expenditure	65,048	558	65,606
Reportable segment liabilities	5,002,652	—	5,002,652

Notes to Financial Statements

For the financial year ended 31 December 2015

27. SEGMENT REPORTING (cont'd)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2015 HK\$'000	2014 HK\$'000
Revenues		
Total revenue for reportable segments	2,198,272	2,072,484
Unallocated revenue	9,529	5,214
Elimination of discontinued operations	–	(58,204)
Consolidated revenue	2,207,801	2,019,494
Profit or loss		
Total profit for reportable segments	1,309,645	1,374,574
Elimination of discontinued operations	–	(64,092)
Unallocated amounts:		
– Other corporate expenses	(13,497)	(26,460)
Consolidated profit before income tax	1,296,148	1,284,022
Assets		
Total assets for reportable segments	22,539,541	13,755,150
Interests in joint ventures	1,584,545	1,702,466
Other unallocated amounts	1,069,287	133,538
Consolidated total assets	25,193,373	15,591,154
Liabilities		
Total liabilities for reportable segments	11,513,462	5,002,652
Other unallocated amounts	1,522,656	1,658,708
Consolidated total liabilities	13,036,118	6,661,360

	Reportable segment totals HK\$'000	Adjustments HK\$'000	Totals HK\$'000
Other material items 2015			
Interest income	24,493	9,529	34,022
Interest expense	(168,023)	–	(168,023)
Capital expenditure	(259,058)	(181)	(259,239)
Depreciation and amortisation	(565,977)	(394)	(566,371)
Other material items 2014			
Interest income	19,966	5,214	25,180
Interest expense	(126,220)	–	(126,220)
Capital expenditure	(65,606)	(1,284)	(66,890)
Depreciation and amortisation	(505,823)	(289)	(506,112)

Notes to Financial Statements

For the financial year ended 31 December 2015

27. SEGMENT REPORTING (cont'd)

Geographical information

The Group operates in two (2014: three) principal geographical areas – PRC and Singapore.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in joint ventures and deferred tax assets) by geographical location are detailed below:

	Revenue		Other non-current assets		Interests in joint ventures	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<u>Based on location of customers</u>						
PRC	2,207,746	2,019,491	21,223,174	12,635,444	1,584,545	1,702,466
Singapore	55	3	3,117	3,335	–	–
	2,207,801	2,019,494	21,226,291	12,638,779	1,584,545	1,702,466
New Zealand (<i>discontinued</i>)	–	58,204	–	–	–	–
	2,207,801	2,077,698	21,226,291	12,638,779	1,584,545	1,702,466

28. OPERATING LEASE COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group and the Company lease office space and office equipment under operating leases. The lease in respect of the office space runs for an initial period of three years, with an option to renew the lease after that date.

At the end of financial year, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company	
	2015 HK\$'000	2014 HK\$'000
Payable:		
Within 1 year	2,783	3,032
After 1 year but within 5 years	2,301	5,406
	5,084	8,438

Contingencies

Acquisition of subsidiaries in Year 2012

On 14 November 2012, the Group acquired 100% equity interest in Beilun (Hong Kong) Investments Limited which is the holding company of Ningbo Beilun Port Expressway Co., Ltd. (collectively referred as "Beilun").

The consideration transferred for acquisition of Beilun was entirely settled by cash amounting to HK\$1,096,925,000.

Notes to Financial Statements

For the financial year ended 31 December 2015

28. OPERATING LEASE COMMITMENTS AND CONTINGENCIES (cont'd)

Acquisition of subsidiaries in Year 2012 (cont'd)

Contingent consideration arrangement

As part of the purchase agreement with the sellers of Beilun, a contingent consideration has been agreed. Additional cash payment shall be due to the sellers of:

- (a) A minimum of RMB1.00 if the final toll period determine by the Zhejiang government approval is 31 December 2023; and
- (b) A maximum of RMB400,000,000 of (1) the final toll period determine by the Zhejiang government approval is on and after 31 December 2027 or (2) the Zhejiang government approval has not granted by 31 December 2027 and as of 31 December 2027, Ningbo Beilun Port Expressway Co., Ltd. has not ceased its normal operations and toll collection for the Beilun Port Expressway and it has not received any written directions from the relevant PRC governmental authorities or a court order, pursuant to applicable PRC laws and regulations which limit the maximum duration of toll operating rights for toll roads in eastern provinces of mainland PRC to not more than 25 years, to cease its normal operations and toll collections for the Beilun Port Expressway.

However, at the date of the acquisition and as at 31 December 2015, the management is not able to reliably determine the fair value of the contingent consideration as uncertainty on the outcome of approval from the Zhejiang government.

As at 31 December 2015 and 2014, 25% of the shares of Ningbo Beilun Port Expressway Co., Ltd. had been pledged to the seller as part of the security in respect of the contingent consideration as at date of acquisition.

29. RELATED PARTY TRANSACTIONS

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

For the financial year ended 31 December 2015

29. RELATED PARTY TRANSACTIONS (cont'd)

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In 2014, the Company had disposed one of its subsidiary group to a related company resulting in a gain of disposal of HK\$66,319,000 (Note 17). There are no such related party transactions during the current financial year.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the financial year was as follows:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	26,687	24,665	9,332	9,993
Post-employment benefits	3,118	2,692	877	938
	29,805	27,357	10,209	10,931

Directors also participate in the Group's employee share options scheme. At the end of the financial year, there were nil (2014: nil) outstanding share options which were granted to the directors of the Company.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Financial assets				
Loans and receivables (Note 12)	2,378,922	1,243,143	2,187,655	1,132,369
Financial liabilities				
Amortised cost (Note 21)	11,494,268	5,322,422	6,184,189	4,392,075

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) *Financial risk management objectives and policies*

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Group's overall policy with respect to managing risk arising in the normal course of the Group's business as well as that associated with financial instruments is to minimise the potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarised below:

(i) **Foreign currency risk management**

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. The currencies giving rise to this risk are primarily the Chinese Renminbi, United States dollar and the Singapore dollar. The Group does not use derivative financial instruments to hedge its foreign currency risk.

The Group's exposure to foreign currency risk relates mainly to its operations in the PRC, which are transacted in Chinese Renminbi. The Chinese Renminbi is not freely convertible into foreign currencies. Pursuant to the Regulations on the Administration of Foreign Exchange Settlement, Payment and Sale effective from 1 July 1996, foreign exchange required for the payment of dividends that are payable in foreign currencies under applicable regulations, such as dividends payable to the foreign partner of a co-operative joint venture, may be purchased from designated foreign exchange banks upon presentation of the board resolution authorising the distribution of dividends, together with the joint venture's audited financial statements and tax clearance documents from the relevant tax authorities.

Upon termination of the co-operative joint ventures and provided that liquidation has been completed, taxes have been paid and the relevant PRC regulations including those of the State Administration for Foreign Exchange have been complied with, the Chinese Renminbi funds belonging to the Group may be remitted or brought out of the PRC in foreign exchange purchased from designated foreign exchange banks.

At the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group			
	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States dollars	117,703	135,054	23,515	49,993
Singapore dollars	14,932	19,016	13,000	9,489
Chinese Renminbi	1,139,635	158,102	3,524	792

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(i) Foreign currency risk management (cont'd)

	Company			
	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States dollars	89,298	102,395	23,515	49,993
Singapore dollars	14,932	19,016	13,000	9,489
Chinese Renminbi	961,629	248,402	3,524	792

The above carrying amounts include intercompany balances that are not denominated in the functional currencies of the respective entities and are eliminated on consolidation.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase or decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	United States dollar impact		Singapore dollar impact		Chinese Renminbi impact	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Group						
Profit or loss	9,419	8,506	193	953	113,611	15,731
Company						
Profit or loss	6,578	5,240	193	953	95,811	24,761

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	United States dollar impact		Singapore dollar impact		Chinese Renminbi impact	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Group						
Profit or loss	(9,419)	(8,506)	(193)	(953)	(113,611)	(15,731)
Company						
Profit or loss	(6,578)	(5,240)	(193)	(953)	(95,811)	(24,761)

The statement of changes in equity will also be impacted by the same amount as disclosed above.

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks arise primarily from the floating rate borrowings with financial institutions. The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The interest rates and terms of repayment of the Group's floating rate borrowings are disclosed as follows:

	Principal HK\$'000	Interest rate range
Group		
2015		
Borrowings from financial institutions	9,193,633	1.34% – 4.41%
2014		
Borrowings from financial institutions	3,510,540	2.08% – 5.54%
Company		
2015		
Borrowings from financial institutions	5,882,858	1.34% – 2.52%
2014		
Borrowings from financial institutions	3,119,889	2.08% – 2.43%

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities at the end of the financial year and the stipulated change taking place at the beginning of the year and held constant throughout the financial year in the case of instruments that have floating rates. A 100 basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the profit for the financial year ended 31 December 2015 of the Group and Company would decrease/increase by HK\$91,937,000 (2014: HK\$35,108,000) and HK\$58,829,000 (2014: HK\$31,201,000), respectively.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments in securities are allowed only with counterparties who have sound credit ratings.

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Credit risk management (cont'd)

At the end of the financial year, there was no significant concentration of credit risk other than the subsidy receivable due from Sino joint venture partners and receivable from toll road operations disclosed in Note 12. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity by maintaining sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liabilities when due, under both normal and stressed condition, without incurring unacceptable losses or risking damage to the Group's reputation.

Except for interest-bearing liabilities as disclosed below, substantially all financial assets and liabilities of the Group and the Company are on demand or due within one year.

The following detailed the remaining contractual maturities of its non-derivative financial instruments which are based on contractual undiscounted cashflows based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows.

Group	Effective interest rate %	Less than 1 year HK\$'000	2 to 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
Undiscounted financial assets					
Cash and cash equivalents	0.05% – 4.20%	2,143,557	–	–	2,143,557
Trade and other receivables	–	235,365	–	–	235,365
As at 31 December 2015		2,378,922	–	–	2,378,922
Cash and cash equivalents	0.05% – 4.25%	1,049,178	–	–	1,049,178
Trade and other receivables	–	193,965	–	–	193,965
As at 31 December 2014		1,243,143	–	–	1,243,143
Undiscounted financial liabilities					
Trade and other payables	–	788,612	1,242,509	–	2,031,121
Bank borrowings, floating interest rates	0.80% – 4.41%	3,777,811	3,090,959	4,106,644	10,975,414
Dividend payable	–	149,609	–	–	149,609
Convertible bonds	3.16%	1,875	151,562	–	153,437
As at 31 December 2015		4,717,907	4,485,030	4,106,644	13,309,581
Trade and other payables	–	450,747	161,653	–	612,400
Bank borrowing, floating interest rates	2.60% – 5.54%	491,829	3,295,407	–	3,787,236
Dividend payable	–	498,009	–	–	498,009
Convertible bonds	3.16%	10,206	835,375	–	845,581
As at 31 December 2014		1,450,791	4,292,435	–	5,743,226
Total undiscounted net financial assets/(liabilities)					
– at 31 December 2015		(2,338,985)	(4,485,030)	(4,106,644)	(10,930,659)
– at 31 December 2014		(207,648)	(4,292,435)	–	(4,500,083)

Notes to Financial Statements

For the financial year ended 31 December 2015

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iv) Liquidity risk management (cont'd)

Company	Effective interest rate %	Less than 1 year HK\$'000	2 to 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
Undiscounted financial assets					
Cash and cash equivalents	0.05% – 4.20%	1,062,778	–	–	1,062,778
Trade and other receivables	–	1,124,877	–	–	1,124,877
As at 31 December 2015		2,187,655	–	–	2,187,655
Cash and cash equivalents	0.05% – 0.90%	124,070	–	–	124,070
Trade and other receivables	–	1,008,299	–	–	1,008,299
As at 31 December 2014		1,132,369	–	–	1,132,369
Undiscounted financial liabilities					
Trade and other payables	–	31,817	–	–	31,817
Bank borrowing, floating interest rates	0.80% – 2.52%	3,599,960	2,456,136	–	6,056,096
Dividend payable	–	149,609	–	–	149,609
Convertible bonds	3.16%	1,875	151,562	–	153,437
As at 31 December 2015		3,783,261	2,607,698	–	6,390,959
Trade and other payables	–	37,679	–	–	37,679
Bank borrowing, floating interest rates	2.60% – 2.88%	318,713	3,045,090	–	3,363,803
Dividend payable	–	498,009	–	–	498,009
Convertible bonds	3.16%	10,206	835,375	–	845,581
As at 31 December 2014		864,607	3,880,465	–	4,745,072
Total undiscounted net financial assets/(liabilities)					
– at 31 December 2015		(1,595,606)	(2,607,698)	–	(4,203,304)
– at 31 December 2014		267,762	(3,880,465)	–	(3,612,703)

31. FAIR VALUE OF ASSETS AND LIABILITIES

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

Due to their short-term nature, the carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

Assets and liabilities that are measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- Level 1 — the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- Level 2 — in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

Notes to Financial Statements

For the financial year ended 31 December 2015

31. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

- (c) Level 3 — in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Valuation policies and procedures

The Group's directors oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The directors are responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value Measurement* guidance.

The directors also review on an ad-hoc basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations pertaining to acquisitions and disposals are then reported to the Audit Committee and Board of Directors for comments and approval.

During the financial year, there is no change in the applicable valuation techniques.

32. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 22 and equity attributable to owners of the Company, comprising issued capital and reserves as disclosed in Notes 23 and 24.

Management monitors capital based on a gearing ratio and the gearing ratio is calculated as total interest-bearing liabilities divided by total equity plus total interest-bearing liabilities.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2014.

Notes to Financial Statements

For the financial year ended 31 December 2015

32. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES (cont'd)

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total interest-bearing liabilities	9,313,538	4,247,038	6,002,763	3,856,387
Total equity and total interest-bearing liabilities	21,470,793	13,176,832	14,329,344	8,418,396
Gearing ratio	43%	32%	42%	46%

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

As disclosed in Note 24, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

Supplementary Information

1 DIRECTORS' REMUNERATION

Company's directors receiving remuneration from the Group:

	Number of directors	
	2015	2014
Remuneration of:		
S\$500,000 and above	–	–
S\$250,000 to below S\$500,000	2	2
Below S\$250,000	4	4
	6	6

2 NUMBER OF EMPLOYEES

The number of employees in the Group and the Company as at 31 December 2015 were 1,571 (2014: 1,172) and 13 (2014: 12) respectively.

3 INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	HK\$'000	HK\$'000
China Merchants Chongqing Communications Research and Design Institute Co., Ltd and its subsidiary		
– Engineering consultancy service in relation to the acquisition of three expressways in People's Republic of China, namely Guixing Expressway, Guiyang Expressway and Yangping Expressway.	382	–
– Major road and bridge upgrading contract in relation to Yongtaiwen Expressway and Jiurui Expressway.	4,882	–
CIESCO (Singapore) Pte Ltd		
– Rental and related expenses in relation to shared office premises.	834	–
	6,098	–

Supplementary Information

4 GROUP PROPERTIES

- (a) Details of the leasehold properties held by the Group as at 31 December 2015 and 2014, are set out below:

Location	Land area	Tenure	Use
Wenzhou, Zhejiang 新城大道, 发展大厦 Level 18 to 19 China	2,690 sq. metres	Lease expiring on 1 December 2033	Office
Wenzhou, Zhejiang 新城大道, 发展大厦 Base 31 to 37 garage China	329 sq. metres	Lease expiring on 1 February 2034	Parking Lots
Wenzhou, Zhejiang 府东路, 中晨大楼 Room 208 China	112 sq. metres	Lease expiring on 1 October 2035	Canteen
Wenzhou, Zhejiang 府东路, 中晨大楼 Room 209 China	141 sq. metres	Lease expiring on 1 October 2035	Hostel
Wenzhou, Zhejiang 平阳县昆阳镇民丰村 清障集散中心 China	1,094 sq. metres	Lease expiring on 1 September 2030	Wreckage rescue
Ruichang, Jiangxi 江西省瑞昌市 (瑞昌收费站旁) China	306 sq. metres	Lease expiring on 28 March 2022	Parking Lots

Statistics of Shareholders

As at 17 March 2016

Number of Shares	:	1,794,524,100
Class of Shares	:	Ordinary Share
Voting Rights	:	One vote per share

There are no treasury shares held in the issued share capital of the Company.

BREAKDOWN OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	55	0.79	2,076	0.00
100 – 1,000	607	8.68	326,414	0.02
1,001 – 10,000	4,354	62.30	15,394,305	0.86
10,001 – 1,000,000	1,952	27.93	82,622,744	4.60
1,000,001 & above	21	0.30	1,696,178,561	94.52
TOTAL	6,989	100.00	1,794,524,100	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	EASTON OVERSEAS LIMITED	1,053,264,318	58.69
2.	DBS NOMINEES (PRIVATE) LIMITED *	351,882,494	19.61
3.	UOB KAY HIAN PRIVATE LIMITED	133,583,971	7.44
4.	HSBC (SINGAPORE) NOMINEES PTE LTD	37,607,424	2.10
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	31,875,200	1.78
6.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	14,949,705	0.83
7.	DBSN SERVICES PTE. LTD.	12,334,177	0.69
8.	CHOO PIANG WONG	12,000,000	0.67
9.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	10,926,250	0.61
10.	RAFFLES NOMINEES (PTE) LIMITED	7,355,776	0.41
11.	OCBC SECURITIES PRIVATE LIMITED	5,230,415	0.29
12.	GOH LAY HWA	4,187,538	0.23
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,603,562	0.20
14.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,280,962	0.18
15.	PEH THIAM CHYE	3,270,000	0.18
16.	BANK OF SINGAPORE NOMINEES PTE. LTD.	2,671,875	0.15
17.	PHILLIP SECURITIES PTE LTD	2,107,304	0.12
18.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,088,541	0.12
19.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,788,419	0.10
20.	DB NOMINEES (SINGAPORE) PTE LTD	1,160,130	0.06
		1,695,168,061	94.46

* A total of 308,355,075 ordinary shares held by Easton Overseas Limited are registered in the name of DBS Nominees (Private) Limited.

Statistics of Shareholders

As at 17 March 2016

SUBSTANTIAL SHAREHOLDERS

Name	Registered in the name of substantial shareholders	Shareholdings in which substantial shareholders are deemed to have an interest	Total Shareholdings	%
Easton Overseas Limited	1,361,619,393	–	1,361,619,393	75.88
China Merchants Group Limited	–	1,361,619,393	1,361,619,393	75.88
China Merchants Huajian Highway Investment Co., Ltd	–	1,361,619,393	1,361,619,393	75.88
Cornerstone Holdings Limited	–	1,361,619,393	1,361,619,393	75.88
Hongda International Asset Management Limited	106,863,736	–	106,863,736	5.95
Liu Qiang	–	106,863,736	106,863,736	5.95
Hongda International Investment Limited	–	106,863,736	106,863,736	5.95

- Notes:**
- (1) A total of 308,355,075 ordinary shares held by Easton Overseas Limited are registered in the name of DBS Nominees (Private) Limited.
 - (2) China Merchants Group Limited, China Merchants Huajian Highway Investment Co., Ltd and Cornerstone Holdings Limited are deemed interested in all the shares held by Easton Overseas Limited.
 - (3) Liu Qiang and Hongda International Investment Limited are deemed interested in all the shares held by Hongda International Asset Management Limited.

FREE FLOAT

Based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of public is approximately 18.08%. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Merchants Holdings (Pacific) Limited (the “Company”) will be held at Pan Pacific Singapore, Ocean 6, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Thursday, 28 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final dividend of 3.50 Singapore cents per ordinary share (tax exempt one-tier) for the year ended 31 December 2015 (previous year: 3.50 Singapore cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to the existing Constitution of the Company:

Mr Jiang Yan Fei	(Retiring pursuant to Article 98)	(Resolution 3)
Mr Wang Xiu Feng	(Retiring pursuant to Article 103)	(Resolution 4)
4. To re-appoint the following Directors as Directors of the Company, who were previously re-appointed to hold office until this Annual General Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), which was in force immediately before 3 January 2016.

Dr Lim Heng Kow	(Resolution 5)
Dr Hong Hai	(Resolution 6)

Dr Lim Heng Kow will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit Committee and Nominating Committee respectively and a member of the Remuneration Committee and will be considered independent.

Dr Hong Hai will, upon re-appointment as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee respectively and will be considered independent.
5. To approve the payment of Directors’ fees of S\$130,000.00 for the year ended 31 December 2015 (previous year: S\$130,000.00). **(Resolution 7)**
6. To re-appoint Mazars LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, of which Resolutions 9, 10 and 12 will be proposed as Ordinary Resolutions, and Resolution 11 will be proposed as a Special Resolution, with or without any modifications:

8. Authority to issue shares

That pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided always that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (excluding treasury shares and as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (excluding treasury shares and as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 9)

[See Explanatory Note (i)]

9. Authority to issue shares under the CMHP Share Option Scheme 2002

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted before the expiry of the CMHP Share Option Scheme 2002 (the "Scheme") on 30 May 2012 by the Company under the Scheme, provided always that the aggregate number of additional shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company excluding treasury shares from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 10)

[See Explanatory Note (ii)]

10. Adoption of the new Constitution – Special Resolution

That the regulations contained in the new Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Company Secretary thereof, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution.

(Resolution 11)

[See Explanatory Note (iii)]

Notice of Annual General Meeting

11. Authority to issue shares under the China Merchants Holdings (Pacific) Limited Scrip Dividend Scheme

That subject to and contingent upon the passing of Resolution 11 as a Special Resolution, pursuant to Section 161 of the Companies Act and Rule 805 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to issue from time to time such number of shares as may be required to be issued under the China Merchants Holdings (Pacific) Limited Scrip Dividend Scheme, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 12)

[See Explanatory Note (iv)]

By Order of the Board

Lim Lay Hoon
Lynn Wan Tiew Leng
Company Secretaries
Singapore, 6 April 2016

Explanatory Notes:

- (i) The Ordinary Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares in the capital of the Company excluding treasury shares, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares will be calculated based on the total number of issued shares in the capital of the Company excluding treasury shares at the time of passing of the Ordinary Resolution, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of passing of the Ordinary Resolution and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 10, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue shares pursuant to the exercise of options granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares in the capital of the Company excluding treasury shares from time to time.
- (iii) The Special Resolution 11, if passed, will adopt a new Constitution following the wide-ranging changes to the Companies Act, introduced pursuant to the Companies (Amendment) Act 2014 (the "Amendment Act"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016 and incorporate amendments to, *inter alia*, (a) take into account the changes to the Companies Act introduced pursuant to the Amendment Act, (b) facilitate implementation of the China Merchants Holdings (Pacific) Limited Scrip Dividend Scheme, (c) ensure consistency with the prevailing listing rules of the SGX-ST, (d) take into account the personal data protection regime in Singapore and (e) streamline and rationalise certain other provisions. Please refer to the Company's Letter to Shareholders dated 6 April 2016 for more details.
- (iv) The Ordinary Resolution 12, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or when such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue shares from time to time under the China Merchants Holdings (Pacific) Limited Scrip Dividend Scheme. Please refer to the Company's Letter to Shareholders dated 6 April 2016 for more details.

Notice of Annual General Meeting

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting (the "Meeting") in his/her stead. Where such member's form of proxy appoints two proxies, the appointments shall be treated as an alternative to the first named unless the member specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED

(Company Registration No. 198101278D)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Meeting (as defined below) and vote (please see note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF/SRS monies to buy the Company's shares ("Shares"), this Proxy Form is forwarded to them at the request of their respective Agent Banks/SRS Operators and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

I/We, _____

of _____

being a member/members of China Merchants Holdings (Pacific) Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 28 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting (of which Resolutions 1 to 10 (inclusive) and Resolution 12 will be proposed as Ordinary Resolutions and Resolution 11 will be proposed as a Special Resolution) as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015		
2	Payment of proposed final dividend		
3	Re-election of Mr Jiang Yan Fei as a Director		
4	Re-election of Mr Wang Xiu Feng as a Director		
5	Re-appointment of Dr Lim Heng Kow as a Director		
6	Re-appointment of Dr Hong Hai as a Director		
7	Approval of Directors' fees amounting to S\$130,000.00		
8	Re-appointment of Mazars LLP as Auditors		
9	Authority to issue shares		
10	Authority to issue shares under the CMHP Share Option Scheme 2002		
11	Adoption of the new Constitution		
12	Authority to issue shares under the China Merchants Holdings (Pacific) Limited Scrip Dividend Scheme		

⁽¹⁾ Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend, speak and vote at a meeting of the Company (not being a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting in his/her stead. A proxy need not be a member of the Company. Where such member's form of proxy appoints two proxies, the appointments shall be treated as an alternative to the first named unless the member specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member of the Company entitled to attend, speak and vote at a meeting of the Company (being a relevant intermediary) is entitled to appoint more than two proxies to attend, speak and vote at the Meeting in his/her stead, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. A proxy need not be a member of the Company. Where such member's form of proxy appoints more than two proxies, the number of Shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the Meeting.
 5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the Meeting.
 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 7. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2016.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose Shares are entered against his name in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



招商局 亚太有限公司

China Merchants Holdings (Pacific) Limited

Co. Reg. No. 198101278D

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