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

招商局

Growing *from* Strength *to* Strength

Annual Report | 2014

Contents

The Chinese version of our 2014 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.

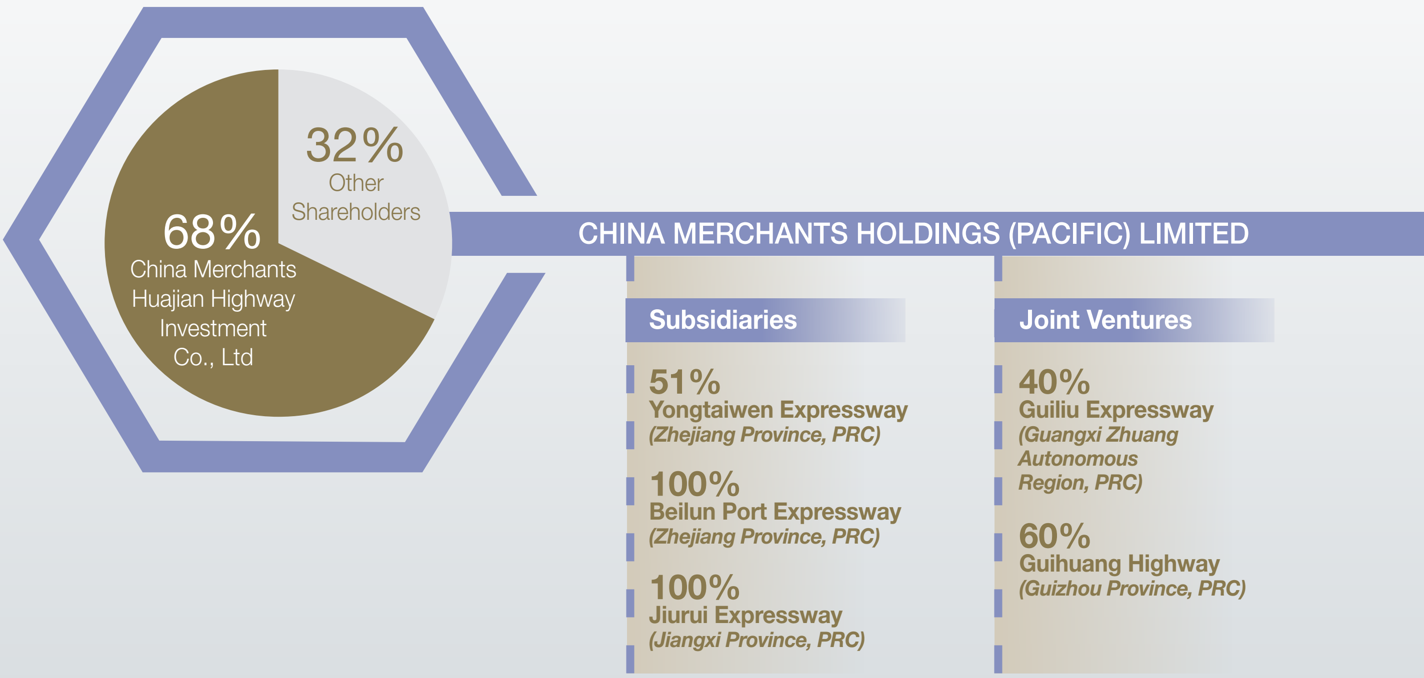
China Everbright Holdings Co., Ltd took over the control of the Company in August 1993 and the Company's name was changed to China Everbright Pacific Limited.

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 five toll roads in China. The five toll roads totalled approximately 415 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 68% 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



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)

Ms Shi Xiu Li
(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

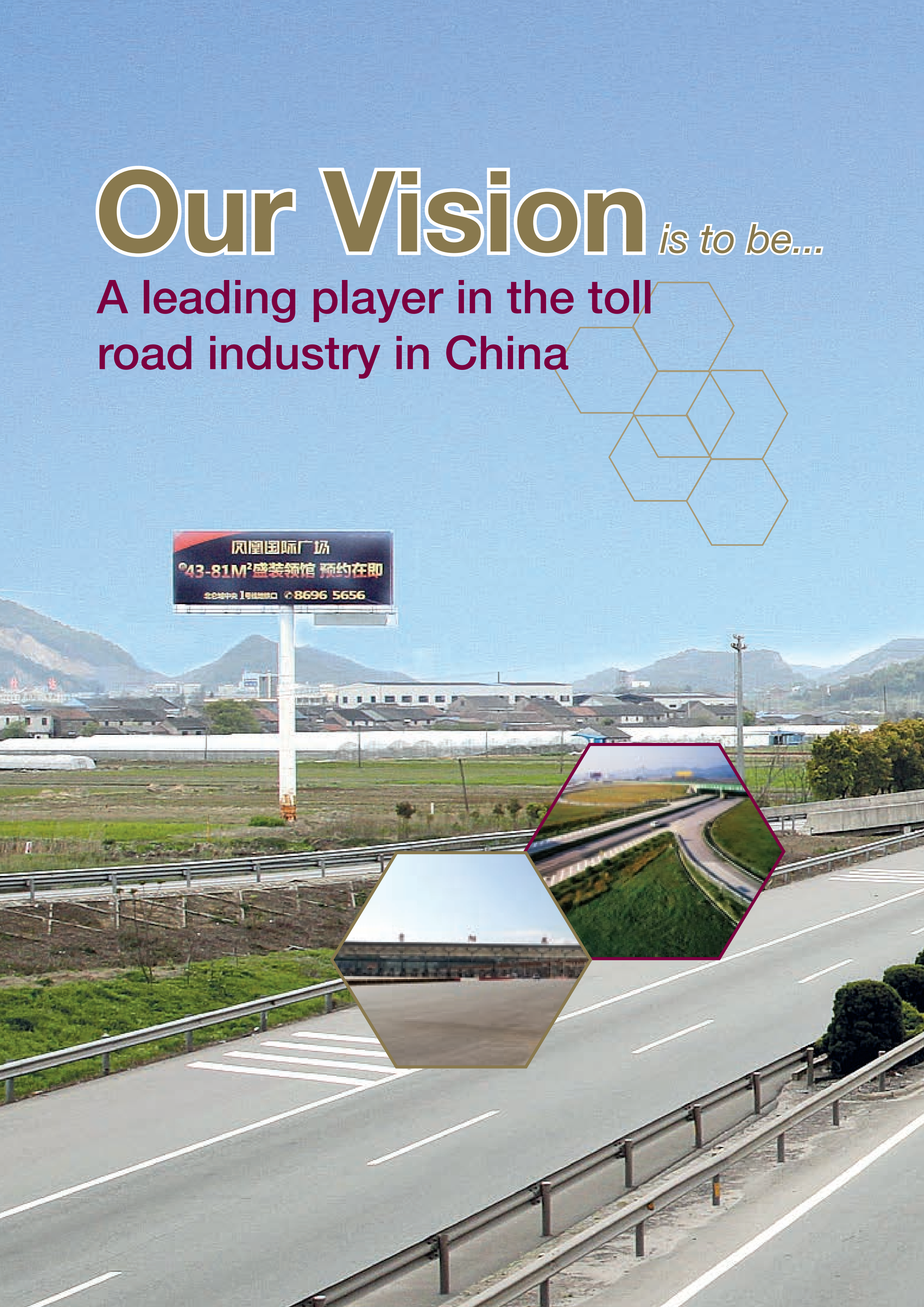
AUDITORS

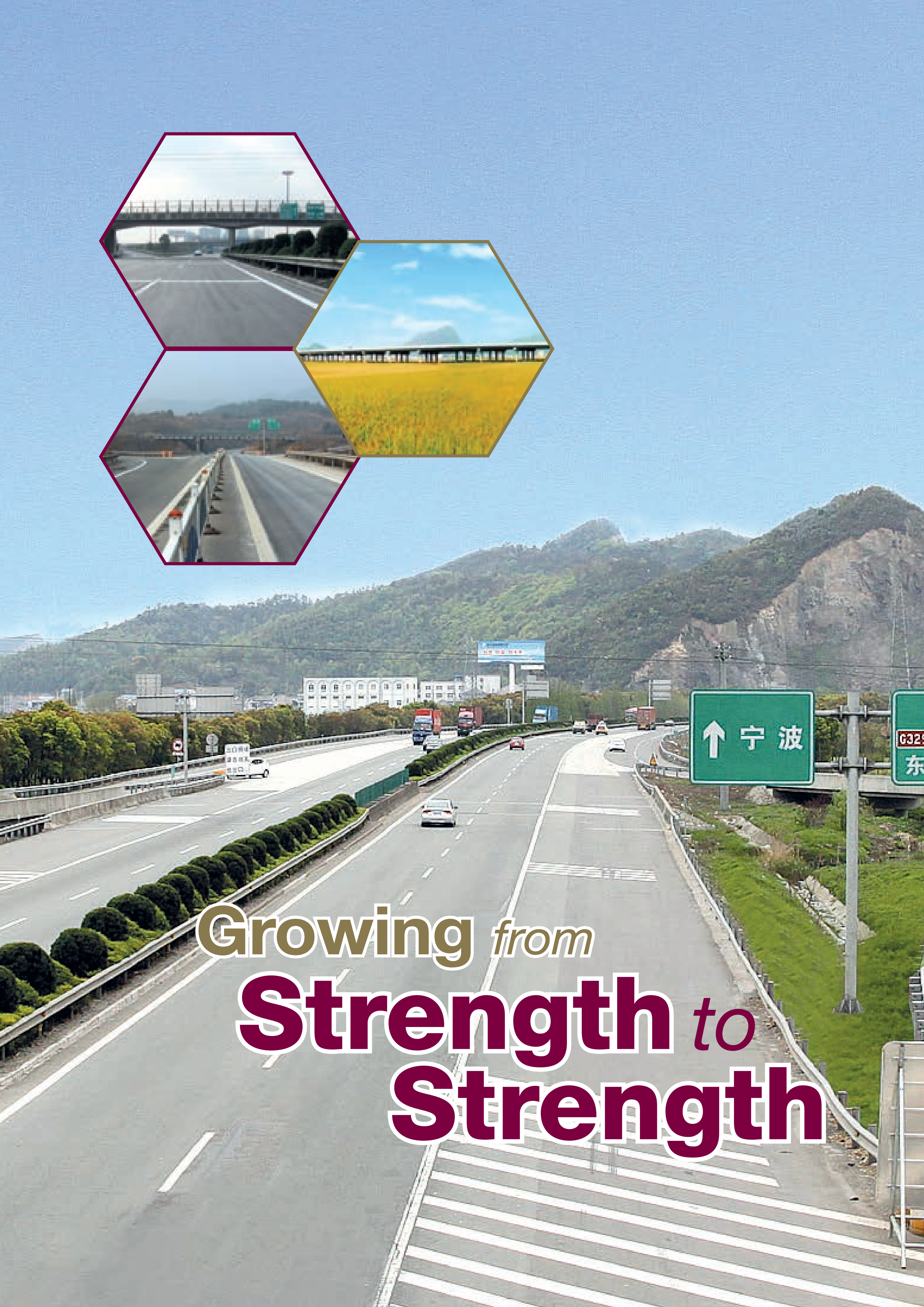
Mazars LLP
Public Accountants and Certified Public Accountants
133 Cecil Street #15-02
Keck Seng Tower
Singapore 069535

Partner-in-charge: Mr Lai Keng Wei
(appointed since financial year ended 31 December 2013)

Our Vision *is to be...*

A leading player in the toll road industry in China





Growing *from* Strength *to* Strength

Chairman's Statement

DEAR SHAREHOLDERS,

We started 2014 with a focus on pursuing corporate strategies for growth, operational excellence and most importantly in growing our profitability to increase value for our shareholders. I am pleased to report that substantial progress has been made on meeting these priorities.

The past year has been one of growth and record performance for the Group and a year where the benefits of our strategy are clearly reflected in our financial results. The Group delivered a record profit of HK$739.4 million, built on strong contribution from our toll road business.

In the past few reports, we have reaffirmed our clear and consistent growth strategy which is to create new growth through identification of and participation in quality toll road investments in China through acquisitions, strategic alliances and joint ventures. The Company has achieved significant success in delivering our growth strategy and made good progress towards achieving our vision of becoming a leading player in the toll road industry in China.

As we enter 2015, the Group is in a stronger position to add real and sustainable value from our growing portfolio of toll road assets. We remain committed to our strategy of acquiring quality toll road assets and extending our presence in the toll road sector in China.

REVIEW OF RESULTS

Our financial performance in 2014 clearly underscores the success of our corporate strategy and business model. Revenue rose 7% to HK$2,019.5 million from HK$1,886.3 million in 2013. Net profit attributable to shareholders outpaced revenue growth, increasing 20% to HK$739.4 million in 2014 from HK$613.7 million in the preceding year. Basic earnings per share and diluted earnings per share were 89.52 HK cents and 69.80 HK cents respectively as compared to 84.51 HK cents and 61.34 HK cents in the previous year, representing an increase of 6% and 14% respectively.

The Group's financial position continues to be strong, backed by HK$6,374.1 million of net assets as at 31 December 2014, a 25% increase from the HK$5,108.6 million recorded a year ago. This translates to a net asset value per share of HK$6.10 as compared to HK$6.23 at 31 December 2013. Our cash position remains healthy at HK$1,049.2 million as at 31 December 2014.

SIGNIFICANT DEVELOPMENTS

This has been another exciting year with significant developments that have placed us on the foundations for stability and growth.

The Company effected an organisational restructuring in March 2014 which involves, certain senior managers of China Merchants Huajian Highway Investment Co., Ltd ("Huajian") being appointed to the Board and forming part of the senior management team of the Company. Huajian is a wholly-owned subsidiary of China Merchants Group Limited, the controlling shareholder of the Company.

The organisational restructuring forms part of the strategic direction of the Company, Huajian and the China Merchants Group to use the Company as the platform for the China Merchants Group to expand its toll road business and presence in China. I believe the organisational restructuring allows for more efficient deployment of human resources to better align our focus on being a leading player in the toll road industry in China by delivering consistent and high returns to our stakeholders.

The divestment of our non-core property development business in New Zealand was completed in April 2014. The divestment of this non-core asset was in line with our strategy to focus on our core business of toll road operations. I believe we could continue to grow shareholder value if we concentrate fully on further expanding our toll road business and presence in China.

The acquisition of the Jiurui Expressway was completed on 9 September 2014 and its bank borrowings were restructured shortly thereafter which has significantly reduced its financing costs. The Group recorded a contribution of HK$12.3 million from the Jiurui Expressway in 2014. I am confident that with our excellent management team who have in-depth experience in toll road development and operations managing its day to day operations, the profit contribution from this expressway will further improve in 2015.

DIVIDENDS AND BONUS ISSUE

The Company has a track record of generous shareholder returns. Our dividend policy is to pay at least 50% of underlying net profit.

The Board has proposed a final tax exempt (one-tier) dividend of 3.5 Singapore cents a share for the financial year ended 31 December 2014. Together with the interim dividend of 3.5 Singapore cents a share paid in 2014, this will bring the total dividend for the year to 7.0 Singapore cents a share which represent a payout ratio of approximately 64% of underlying net profit for the year.

The Board is also proposing a bonus share issue to shareholders on the basis of one bonus share for every twenty existing ordinary shares to reward shareholders for their loyalty and continuing support for the Company as well as to reflect the growth and expansion of the Group's business.

THE ROAD AHEAD

Over the last ten years, we have built a strong track record of delivering sustainable value and strong shareholder returns through successful execution of our strategies. Going forward, we will continue to pursue growth from within the portfolio as well as through external growth by way of acquisitions that are conducive to our toll road portfolio. Our expansion plans are backed by our strong fundamentals and prudent asset management strategy.

We maintain a positive outlook on the toll road sector in China and believe there are many opportunities available for further growth. I am confident that we have the right team, the right business model and the funding in place to maintain our track record of success. As we enter 2015, we have an exceptionally strong platform for future growth. I look forward with excitement to driving the growth strategy and the business forward this year and beyond.

APPRECIATION

Our achievements would not have been possible without the support of our various stakeholders. To my colleagues on the Board, I would like to thank you for your invaluable contribution and commitment. To our management and staff, I would like to express my gratitude for your hard work and dedication throughout the year. To our business partners and customers, we thank you for your wavering support and trust in us.

Finally, on behalf of the Company and Board, we would like to thank you, our shareholders. We appreciate your continued support and confidence all these years and will continue to work hard to deliver stable returns to our shareholders.

Luo Hui Lai
Executive Chairman and Chief Executive Officer

Financial and Operations Review

"The Company acquired the Yongtaiwen Expressway in July 2011 and the Beilun Port Expressway in November 2012. In September 2014, the Company completed the acquisition of the Jiurui Expressway. These successive acquisitions have significantly expanded the scale and coverage of the toll road business and contributed to the Group's steady growth over the past 4 years."

Financial Review

There is good progress in the Company's growth strategy via acquisitions as well as the integration of the acquisitions. The Company acquired the Yongtaiwen Expressway in July 2011 and the Beilun Port Expressway in November 2012. In September 2014, the Company completed the acquisition of the Jiurui Expressway. These successive acquisitions have significantly expanded the scale and coverage of the toll road business and contributed to the Group's steady growth over the past 4 years.

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.

The Group recorded a net profit attributable to shareholders of HK$739.4 million, representing a year-on-year increase of 20%. The increase was mainly attributable to a higher profit contribution from the toll road assets operated and invested by the Group on the back of the steady growth of toll revenue. During the year, the Group realised an exceptional gain of HK$66.3 million upon completion of the disposal of the Group's property development business in April 2014.

SEGMENTAL PERFORMANCE

	REVENUE		
	2014 HK$'000	2013 HK$'000	Change %
Toll Road Operations	2,014,280	1,876,762	7
Others/Corporate	5,214	9,498	(45)
Total Group Revenue	2,019,494	1,886,260	7

	PROFIT AFTER TAX		
	2014 HK$'000	2013 HK$'000	Change %
Toll Road Operations	1,021,982	854,787	20
Property Development (discontinued)	64,092	48,731	32
Others/Corporate	(26,460)	(6,358)	316
Net Profit for the year	1,059,614	897,160	18
Profit attributable to owners of the Company	739,415	613,702	20

REVENUE

The Group currently operates five toll roads. They are the Yongtaiwen Expressway, Beilun Port Expressway, Jiurui Expressway, Guiliu Expressway and Guihuang Highway. The Yongtaiwen Expressway, Beilun Port Expressway and Jiurui 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 joint ventures is not included in Group revenue and contributions from these entities are mainly recognised below the operating level.

Group revenue for 2014 rose by 7% from HK$1,886.3 million in 2013 to HK$2,019.5 million in 2014 largely driven by the consolidation of revenue from the Jiurui Expressway which the Group acquired in September last year, revenue growth from the Yongtaiwen Expressway and higher bank interest income.

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

PROFITABILITY

Group pre-tax profit for 2014 increased 17% to HK$1,284 million from HK$1,101.5 million a year ago while Group net profit of HK$1,059.6 million was 18% higher over the corresponding period in 2013. The profit growth was attributable to a higher profit contribution from the toll road operations and the recognition of an exceptional gain of HK$66.3 million from the disposal of the Group's property development business in April 2014. After taking into account non-controlling interests, net profit attributable to shareholders increased 20% to HK$739.4 million.

The Group's toll road business turned in a strong performance in 2014. Contribution to net profit attributable to shareholders by the Group's toll road assets for 2014 amounted to HK$701.8 million, an increase of 23% from the HK$571.3 million achieved a year ago. This was principally due to a higher profit contribution from the Yongtaiwen Expressway, Guiliu Expressway and Guihuang Highway as well as the recognition of deferred income and effective interest income on compensation receivable from the relocation of certain toll stations along the Guihuang Highway. Higher interest income and exchange gain and the recognition of negative goodwill arising from the acquisition of the Jiurui Expressway also boosted the Group's net profit.

The other business segment posted a higher net loss of HK$26.5 million against a loss of HK$6.4 million in 2013. This was attributable to lower fixed deposit interest income and exchange difference.

Basic earnings per share and diluted earnings per share were 89.52 HK cents and 69.80 HK cents respectively as compared to 84.51 HK cents and 61.34 HK cents in the previous year, representing an increase of 6% and 14% respectively.

Financial and Operations Review (cont'd)

The contribution to the Group's net profit attributable to shareholders by the respective toll roads in 2014 and 2013 were as follows:

	2014 HK$'000			2013 HK$'000			Change %
	Share of Results	Subsidy Income	Total	Share of Results	Subsidy Income	Total	
JOINT VENTURES ("JV")							
Guiliu Expressway	153,914	-	153,914	146,226	-	146,226	5.3
Guihuang Highway	110,503	23,652	134,155	102,165	21,751	123,916	8.3
Net profit from JV			288,069			270,142	6.6
SUBSIDIARIES							
Yongtaiwen Expressway			333,269			295,037	13.0
Beilun Port Expressway			102,973			116,582	(11.7)
Jiurui Expressway [1]			12,287			-	n.m.
Net profit from Subsidiaries			448,529			411,619	9.0
OTHERS							
Other revenue & expenses [2]			(34,815)			(110,432)	(68.5)
Total			701,783			571,329	22.8

Notes:
[1] *The financial results of the Jiurui Expressway was consolidated with effect from 9 September 2014.*
[2] *These comprise deferred income, effective interest, administrative expenses, finance costs, foreign exchange difference, withholding tax and negative goodwill arising from acquisition of a group of subsidiaries.*

CASH FLOW

Operating cash flow remained strong with a net inflow of HK$1,278.2 million compared to the previous year's HK$1,208.1 million. The Group's continuing ability to generate excellent cash flow was demonstrated by an increase in free cash flow of over 13% to HK$1,705 million (2013: HK$1,501 million), driven by higher cash flow from the toll road operations.

BALANCE SHEET

Total assets of HK$15,591.2 million as at 31 December 2014 were a 16% increase from the HK$13,431.8 million recorded a year ago due mainly to toll road investments made during the year. Net operating assets were HK$8,929.8 million at the end of 2014, a 15% increase over the previous year.

Total borrowings stood at HK$4,247 million as at 31 December 2014 compared to HK$3,668.2 million at the end of 2013. The increase in total borrowings was due to a bank facility secured by the Company to restructure the bank borrowings of the Jiurui Expressway subsequent to the completion of the acquisition of this toll road asset, partially offset by the repayment of certain long time bank borrowings by the Group. As a result, the gearing ratio for the Group increased from 0.29 times to 0.36 times which is a comfortable level given the strong recurring cash flows associated with the toll road business.

Operations Review

The Group's toll roads are all managed by a strong senior management team with extensive industry expertise. For the year under review, the Group's toll roads delivered earnings growth of 23% to HK$701.8 million, building on the 36% and 20% earnings growth in the 2013 and 2012 financial years respectively. The growth was principally driven by the improved performance of the Group's toll road assets and first-time contribution from the newly acquired Jiurui Expressway.

The traffic volume and toll revenue of the toll roads operated and invested by the Group generally continued to grow in 2014. On a portfolio basis, the Group's toll roads (excluding the Jiurui Expressway) achieved toll revenues of RMB2,398.3 million in the current year representing a 4.9% improvement over the same period in 2013 while overall traffic volume registered a decline of 7.3% to 48 million vehicles. The decrease in traffic volume was attributable to a lower traffic volume recorded by the Guihuang Highway as a result of the relocation of certain toll stations.

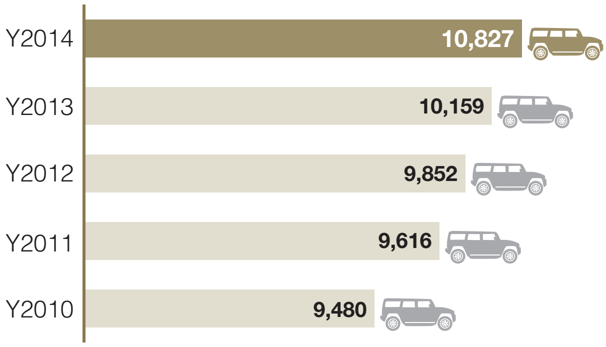
The acquisition of the Jiurui Expressway was completed on 9 September 2014 and its bank borrowings were restructured shortly thereafter which has significantly reduced its financing costs. The Group recorded a maiden contribution of HK$12.3 million from the Jiurui Expressway in 2014.

Traffic flows and toll revenue recorded by each of the toll roads were as follows:

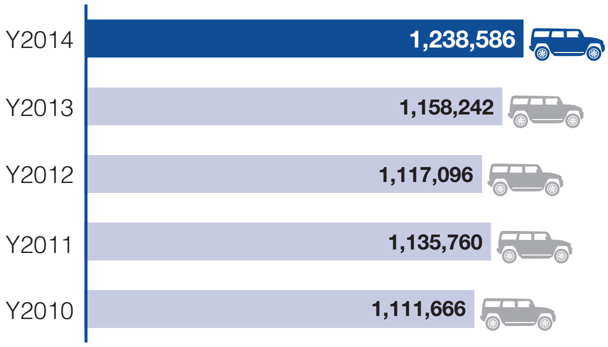
	TRAFFIC VOLUME		
	2014 Vehicles ('000)	2013 Vehicles ('000)	Growth rate (%)
Yongtaiwen Expressway	10,827	10,159	6.6
Beilun Port Expressway	9,934	10,056	(1.2)
Guiliu Expressway	5,931	5,826	1.8
Guihuang Highway	21,331	25,789	(17.3)
Total	48,023	51,830	(7.3)

	TOLL REVENUE		
	2014 RMB ('000)	2013 RMB ('000)	Change (%)
Yongtaiwen Expressway	1,238,586	1,158,242	6.9
Beilun Port Expressway	307,765	322,094	(4.4)
Guiliu Expressway	628,496	600,528	4.7
Guihuang Highway	223,429	206,418	8.2
Total	2,398,276	2,287,282	4.9

YONGTAIWEN EXPRESSWAY TRAFFIC VOLUME ('000 VEHICLES)



YONGTAIWEN EXPRESSWAY TOLL REVENUE (RMB '000)



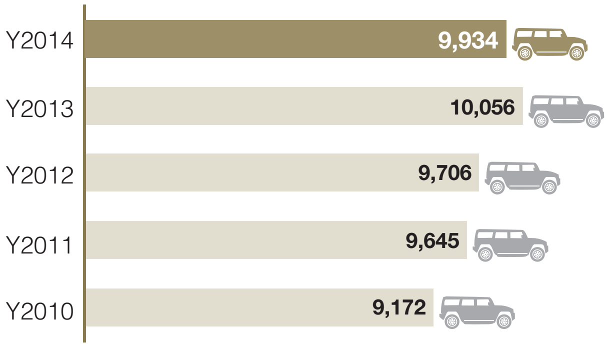
YONGTAIWEN EXPRESSWAY

The Yongtaiwen Expressway performed strongly in 2014. Traffic volume recorded by the Yongtaiwen Expressway increased by 6.6% to 10.8 million vehicles compared to 10.2 million vehicles a year ago. Toll revenue achieved by the Yongtaiwen Expressway increased by 6.9% to RMB1,238.6 million over the previous corresponding period driven by higher traffic flow arising from the economic growth in Wenzhou municipality of Zhejiang province and the increase in the traffic volume of goods vehicles following the opening of Jiashao Bridge to traffic.

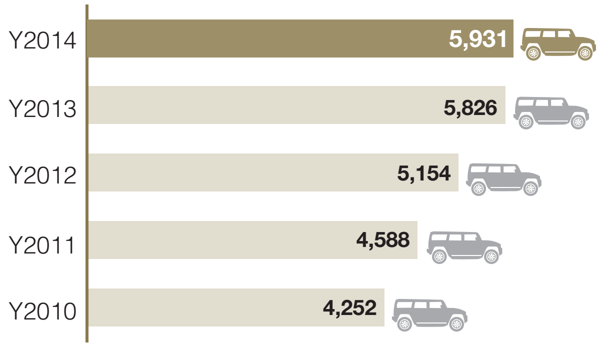
The Yongtaiwen Expressway registered an increase in net profit contribution of 13% from HK$295 million in 2013 to HK$333.3 million in 2014 on the back of the higher toll revenue achieved and lower finance costs, partially offset by higher cost of sales and income tax.

Financial and Operations Review (cont'd)

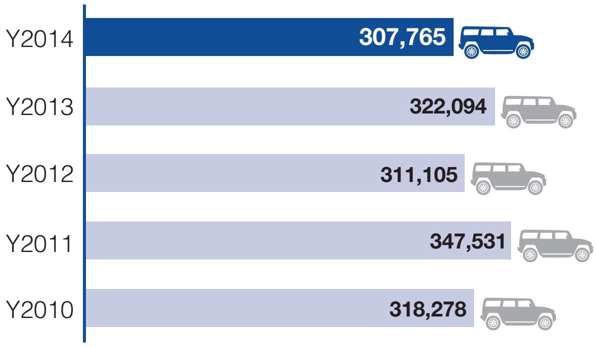
BEILUN PORT EXPRESSWAY TRAFFIC VOLUME ('000 Vehicles)



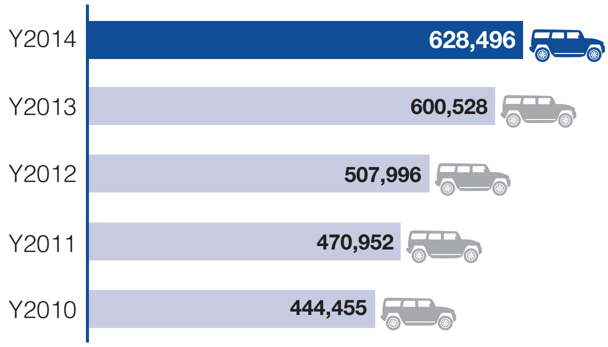
GUILIU EXPRESSWAY TRAFFIC VOLUME ('000 Vehicles)



BEILUN PORT EXPRESSWAY TOLL REVENUE (RMB '000)



GUILIU EXPRESSWAY TOLL REVENUE (RMB '000)



BEILUN PORT EXPRESSWAY

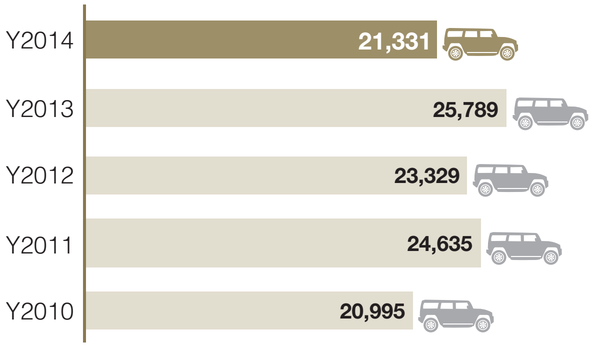
Toll revenue registered by the Beilun Port Expressway was 4.4% lower than the prior corresponding period mainly due to a 1.2% decline in traffic volume for the current period. Major upgrading works on certain sections of the expressway, the change in road network arising from the opening of Jiaoshao Bridge and traffic diversion from a newly opened competing road have negatively impacted the traffic volume for the current period. The opening of the Jiashao Bridge caused a certain amount of traffic to divert from the Beilun Port Expressway but has a more positive effect on the Yongtaiwen Expressway.

The Beilun Expressway achieved a net profit of HK$103 million, down 12% or HK$13.6 million due to the lower toll revenue registered and higher cost of sales, partially offset by lower finance costs.

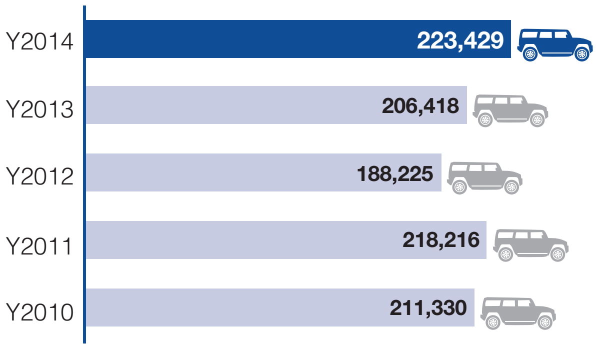
GUILIU EXPRESSWAY

For the year under review, the Guiliu Expressway continued to maintain a steady growth. Traffic volume recorded by the Guiliu Expressway of 5.9 million vehicles for 2014 was 1.8% higher over the prior corresponding period due to favourable traffic drivers such as organic growth, improvement in the road network and the continued increase in vehicle ownership. The Guiliu Expressway's toll revenue of RMB628.5 million for the 12 months to 31 December 2014 was 4.7% higher than the prior period driven by the increase in traffic for the period.

GUIHUANG HIGHWAY TRAFFIC VOLUME ('000 Vehicles)



GUIHUANG HIGHWAY TOLL REVENUE (RMB '000)



GUIHUANG HIGHWAY

Traffic volume recorded by the Guihuang Highway was down 17.3% on the previous year while toll revenue grew 8.2% to RMB223.4 million from RMB206.4 achieved last year. The negative impact to the traffic volume from the relocation of certain toll stations along the Guihuang Highway has been offset by natural traffic growth.

Net profit contribution from the Guihuang Highway was up 8.3% to HK$134.2 million compared to HK$123.9 million registered in the previous corresponding period. The profit growth was due to higher toll revenue and toll road related income achieved and higher subsidy income recorded which was partially offset by higher amortisation of toll road operating rights.

JIURUI EXPRESSWAY

The Group acquired the entire issued share capital of Hong Kong Honest Queen International Investment Limited which owns the entire equity interest in Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd ("Jiurui Expressway Co"), which in turn owns and operates the Jiurui Expressway (Jiujiang - Ruichang Section), a 48.14 km long expressway located in Jiangxi Province in China in September 2014.

The Jiurui Expressway is located at the east-western area of Jiujiang Municipality, connecting with Ruichang Municipality in the west of Jiangxi Province and is part of the G56 China's National Expressway System connecting Hangzhou of Zhejiang Province and Ruili of Yunnan Province serving the east-west traffic demand. The Jiurui Expressway is at present the key link serving both local and external traffic demand and an important inter-provincial boundary crossing. The construction of the Jiurui Expressway was completed at the end of 2010 and commenced toll collections on 1 January 2011.

The financial results of the Jiurui Expressway was consolidated with effect from 9 September 2014. The Jiurui Expressway posted a net profit of HK$12.3 million 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 Chairman of Huabei Expressway Co., Ltd, a company listed on the Shenzhen Stock Exchange. He is also 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.

MS SHI XIU LI
Executive Director

Ms Shi joined the Company as an Executive Director in March 2014. She is concurrently a Senior Officer of China Merchants Huajian Highway Investment Co., Ltd. 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, Ms Shi 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.

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 and Starhill Global REIT. 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 a Master's Degree in Public Administration from Harvard University, a PhD in Economics from Carnegie Melon University, USA and a Master's Degree in Chinese Language and Literature from Beijing Normal University.

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.

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 People's Republic of China. Mr Jiang is concurrently the Executive Deputy General Manager of China Merchants Huajian Highway Investment Co., Ltd.

MS SHI XIU LI

Executive Director

Ms Shi was appointed an Executive Director in March 2014 and is responsible for the financial management matters of the Company including financial management and control, funds management and tax planning. Ms Shi is concurrently a Senior Officer of China Merchants Huajian Highway Investment Co., Ltd.

MR WU XIN HUA

Deputy General Manager

Mr Wu was appointed an Executive Director and Chief Operating Officer in February 2011 and redesignated as a Deputy General Manager as well as the General Manager of the Business Development Department in March 2014. His duties include overseeing the investment, optimization and integration, as well as new business development of the Company. Mr Wu has extensive experience in corporate finance and has held senior management positions at financial institutions including CITIC Securities Co., Ltd, Shandong Securities Co., Ltd and China Merchants Securities Co., Ltd with responsibilities in the areas of general management and investment banking. Mr Wu graduated from Renmin University of China with a Bachelor's Degree in Economics. He is concurrently a Deputy General Manager of China Merchants Huajian Highway Investment Co., Ltd.

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 China Merchants Huajian Highway Investment Co., Ltd ("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 China Merchants Huajian Highway Investment Co., Ltd.

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 Certified Public Accountants of Singapore, 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

General Manager, Finance Department

Ms Chin joined the Company in September 2000 and is responsible for the accounting, financial, treasury and tax functions of the Company. 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 Guiliu JV Enterprises

Mr Yang is responsible for overseeing the operations of the 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

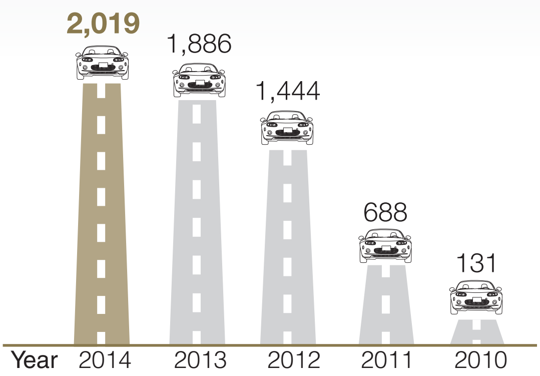
General Manager of Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd

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).

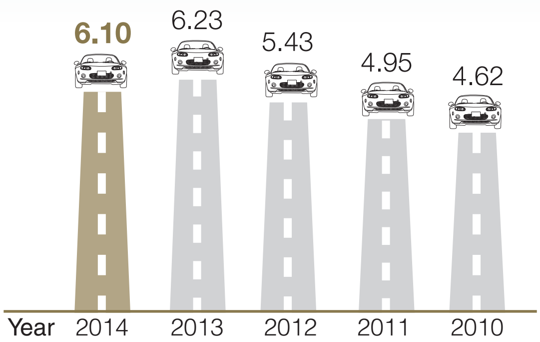
Financial Highlights

	FINANCIAL YEARS				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
OPERATING RESULTS					
Revenue	2,019,494	1,886,260	1,444,107	688,428	130,598
Profit before tax	1,284,022	1,101,496	1,199,486	575,445	281,048
Profit after tax	1,059,614	897,160	906,457	441,680	267,436
Profit attributable to shareholders	739,415	613,702	655,320	319,887	267,436
FINANCIAL POSITION					
Total assets	15,591,154	13,431,770	13,303,993	11,527,625	4,093,492
Cash and cash equivalents	1,049,178	1,448,299	1,239,113	1,505,430	1,282,374
Total equity	8,929,794	7,760,797	7,079,283	6,659,300	3,946,155
Net borrowings	3,197,860	2,219,906	3,175,168	1,677,882	–
FINANCIAL RATIO (%)					
Return on assets	6.80	6.68	6.81	3.83	6.53
Return on equity	11.60	12.01	14.38	7.67	6.78
Net gearing	36	29	45	25	–
PER SHARE DATA					
Basic earnings (HK cents)	89.52	84.51	90.30	43.68	38.81
Diluted earnings (HK cents)	69.80	61.34	74.45	37.45	31.30
Net asset value (based on issued share capital)	HK$6.10	HK$6.23	HK$5.43	HK$4.95	HK$4.62
Net asset value (assuming all RCPS had been converted)	-	HK$5.98	HK$5.34	HK$4.88	HK$4.62
DIVIDEND PER SHARE (SINGAPORE CENTS)					
Interim dividend	3.50	2.75	2.75	2.50	2.00
Final dividend	3.50	4.25	2.75	3.00	2.00
Total dividend	7.00	7.00	5.50	5.50	4.00

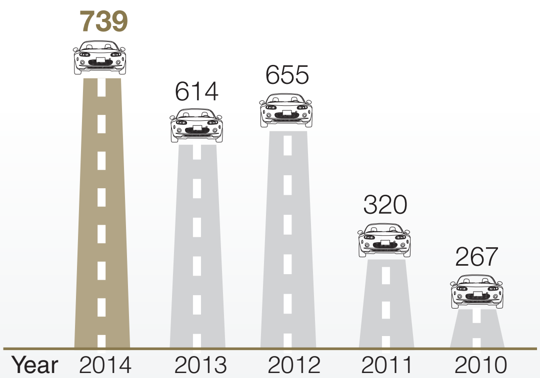
REVENUE (HK$ million)



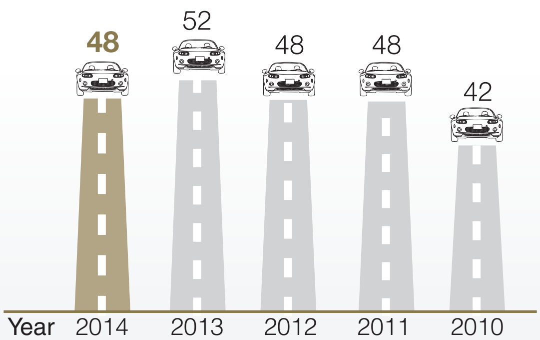
NAV PER SHARE (HK$)



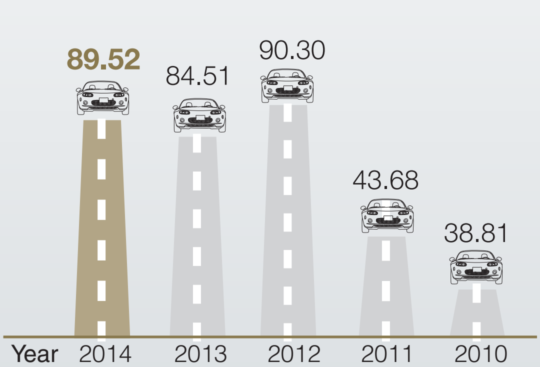
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK$ million)



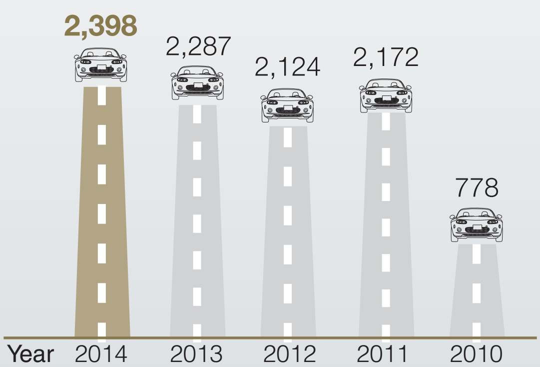
VEHICLE TRAFFIC VOLUME* (million)



BASIC EARNINGS PER SHARE (HK cents)



TOLL REVENUE* (RMB million)



* *Excludes traffic volume and toll revenue generated by the Jiurui Expressway.*

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 Articles of Association 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	4	5	4	-	-	-	-
Mr Jiang Yan Fei**	4	4	-	-	-	-	1	1
Ms Shi Xiu Li***	4	3	-	-	-	-	-	-
Dr Lim Heng Kow	4	4	5	5	1	1	1	1
Dr Hong Hai	4	4	5	5	1	1	1	1

** Mr Zheng Hai Jun was appointed a member of the Remuneration Committee with effect from 4 March 2014.*
*** Mr Jiang Yan Fei ceased to be a member of the Remuneration Committee with effect from 4 March 2014.*
**** Ms Shi Xiu Li was appointed Director with effect from 4 March 2014.*

The Board comprises three executive Directors, one non-executive Director 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 power 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 will be 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 (or equivalent) 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 Articles of Association 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 19 years and 10 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/ 27 April 2012	Executive	Member: Nominating Committee
Mr Zheng Hai Jun	18 February 2011/ 25 April 2013	Non-executive	Member: Audit Committee Remuneration Committee
Mr Jiang Yan Fei	30 December 2004/ 24 April 2014	Executive	Nil
Ms Shi Xiu Li	4 March 2014/ 24 April 2014	Executive	Nil
Dr Lim Heng Kow	26 July 1996/ 24 April 2014	Non-executive Independent	Chairman: Audit Committee Nominating Committee Member: Remuneration Committee
Dr Hong Hai	27 May 2005/ 24 April 2014	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					
S$250,000 to below S$500,000					
Mr Luo Hui Lai		50	46	4	100
Mr Jiang Yan Fei		45	42	13	100
Below S$250,000					
Ms Shi Xiu Li		40	42	18	100
Mr Zheng Hai Jun *	100				100
Dr Lim Heng Kow	100				100
Dr Hong Hai	100				100

	Fee (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
b) Key Executives of the Company**					
Below S$250,000					
Mr Chen Yuan Jun		54	42	4	100
Ms Lim Lay Hoon		69	30	1	100
Ms Chin Wenn		88	11	1	100

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

*** The disclosure is in respect of the top key executives under the employment of the Company only. Out of the 6 top key executives, 3 of them are directors. As such only the remuneration bands of 3 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$10,038,685 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 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 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 Executive Director responsible for the financial matters of the Company 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 cooperation 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, Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. that operates the Yongtaiwen Expressway and the joint ventures that operate the Guihuang Highway 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 Report.

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.

Financial Report

Report of the Directors

The directors present their report 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 2014.

1. Directors

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

Mr Luo Hui Lai	–	Executive Chairman	(Appointed on 4 March 2014)
Mr Zheng Hai Jun	–	Vice Chairman	
Mr Jiang Yan Fei	–	Executive director	
Ms Shi Xiu Li	–	Executive director	(Appointed on 4 March 2014)
Dr Lim Heng Kow			
Dr Hong Hai			

2. 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 3 and 5 below.

3. 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:

	Shareholdings in which the directors have a direct interest	
Name of directors and company in which interest is held	**As at 1 January 2014**	**As at 31 December 2014**
The Company		
Ordinary shares fully paid (with no par value)		
Jiang Yan Fei	340,000	1,540,000
Options to subscribe for ordinary shares (with no par value)		
Jiang Yan Fei	1,200,000	–

Report of the Directors

3. 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 2014	 As at 31 December 2014
Related corporation		
– China Merchants Holdings (International) Company Limited		
Ordinary shares of HK$0.10 each fully paid		
Zheng Hai Jun	2,450	2,450
Options to subscribe for ordinary shares of HK$0.10 each		
Luo Hui Lai	150,000	150,000
Zheng Hai Jun	180,000	180,000
Jiang Yan Fei	350,000	–

The directors' interests in the shares and options of the Company at 21 January 2015 were the same at 31 December 2014.

4. Directors' receipt and entitlement to contractual benefits

Since the beginning of the financial year, no director 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.

5. 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 (Appointed on 4 March 2014)

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.

Report of the Directors

5. **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 had 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 2014	Granted or exercised	Lapsed or expired	Balance as at 31 December 2014	Exercise price per share (S$)	Exercisable Period
6 October 2006	9,488,000	(5,238,000)	–	4,250,000	0.789	7 October 2007 to 6 October 2016

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.

6 **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 (Appointed on 4 March 2014)

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 five meetings since the last directors' report.

Report of the Directors

6. Audit Committee (Continued)

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.

Report of the Directors

7. 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

Mr Jiang Yan Fei
Director

Singapore

30 March 2015

Statement of Directors

In the opinion of the directors,

(a) the financial statements of the Group and the statements of financial position and changes in equity of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and the cash flows of the Group, and changes in equity of the Company for the financial year then ended; and

(b) 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.

On behalf of the Board of Directors

Mr Luo Hui Lai Director	**Mr Jiang Yan Fei** Director

Singapore

30 March 2015

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 2014, and the income statement, statement of 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 as set out on page 37 to page 102.

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 state of affairs of the Group and of the Company as at 31 December 2014 and of the results, 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

30 March 2015

Consolidated Income Statement

For the financial year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	4	2,019,494	1,886,260
Cost of sales		(906,503)	(840,899)
Gross profit		1,112,991	1,045,361
Other operating income	5	113,416	53,000
Administrative expenses		(103,927)	(112,508)
Other operating expenses		(1,574)	(759)
Finance costs	6	(124,953)	(153,740)
Subsidy income	7	23,652	21,751
Share of results of joint ventures, net of tax		264,417	248,391
Profit before tax from continuing operations	8	1,284,022	1,101,496
Income tax expense	9	(288,500)	(253,067)
Profit from continuing operations, net of tax		995,522	848,429
Profit from discontinued operations, net of tax	14	64,092	48,731
Profit for the financial year		1,059,614	897,160
Profit attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		675,323	564,971
Profit from discontinued operations, net of tax		64,092	48,731
		739,415	613,702
Non-controlling interests			
Profit from continuing operations, net of tax		320,199	283,458
Profit/(Loss) from discontinued operations, net of tax		–	–
		320,199	283,458
Profit for the financial year		1,059,614	897,160
Earnings per share from continuing operations attributable to owners of the Company (HK cents):			
Basic	10	81.76	77.73
Diluted	10	64.07	56.80
Earnings per share attributable to owners of the Company (HK cents):			
Basic	10	89.52	84.51
Diluted	10	69.80	61.34

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 2014

	2014 HK$'000	2013 HK$'000
Profit for the financial year	1,059,614	897,160
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation difference arising on consolidation	(44,125)	264,269
Less: Reclassification to income statement 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	(125,085)	264,269
Total comprehensive income for the financial year	934,529	1,161,429
Total comprehensive income attributable to:		
Owners of the Company	626,521	799,546
Non-controlling interests	308,008	361,883
	934,529	1,161,429

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 2014

	Note	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	1,049,178	1,448,299	124,070	338,279
Trade and other receivables	12	199,761	70,827	1,012,947	111,276
Inventories	13	970	832	–	–
		1,249,909	1,519,958	1,137,017	449,555
Assets of disposal group classified as held-for-sale	14	–	512,218	–	–
Total current assets		1,249,909	2,032,176	1,137,017	449,555
Non-current assets					
Property, plant and equipment	15	209,307	187,938	2,959	1,976
Intangible assets	16	12,429,096	9,284,508	–	–
Interests in subsidiaries	17	–	–	7,813,732	5,754,077
Interests in joint ventures	18	1,702,466	1,926,772	–	–
Club membership	19	376	376	376	376
Total non-current assets		14,341,245	11,399,594	7,817,067	5,756,429
Total assets		15,591,154	13,431,770	8,954,084	6,205,984
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	21	633,291	482,212	37,679	140,447
Interest-bearing liabilities	22	402,048	248,748	248,784	248,748
Dividend payable		498,009	439,954	498,009	439,954
Income tax payable		162,065	211,274	–	–
		1,695,413	1,382,188	784,472	829,149
Liabilities directly associated with disposal group classified as held-for-sale	14	–	156,166	–	–
Total current liabilities		1,695,413	1,538,354	784,472	829,149
Non-current liabilities					
Interest-bearing liabilities	22	3,844,990	3,419,457	3,607,603	2,478,251
Deferred income	18	160,002	–	–	–
Deferred tax liabilities	20	960,955	713,162	–	–
Total non-current liabilities		4,965,947	4,132,619	3,607,603	2,478,251
Capital, reserves and non-controlling interests					
Share capital	24	3,804,616	2,730,406	3,804,616	2,730,406
Share options reserve	25	1,513	5,507	1,513	5,507
Statutory reserve	25	201,154	141,250	–	–
Currency translation reserve	25	483,068	595,962	–	–
Reserve on consolidation	25	(78,930)	(78,930)	–	–
Capital reserve	25	55,036	78,535	55,036	78,535
Accumulated profits		1,907,606	1,635,874	700,844	84,136
Equity attributable to owners of the Company		6,374,063	5,108,604	4,562,009	2,898,584
Non-controlling interests		2,555,731	2,652,193	–	–
Total equity		8,929,794	7,760,797	4,562,009	2,898,584
Total liabilities and equity		15,591,154	13,431,770	8,954,084	6,205,984

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 2014

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 income statement 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 24)	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	–	–	–	–	–	–	(64,669)	(64,669)	–	(64,669)
– Interim ordinary dividend payable of Singapore 3.50 cents per share	–	–	–	–	–	–	(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 2014

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 2013	2,730,210	5,507	102,614	410,118	(78,930)	78,535	1,312,208	4,560,262	2,519,021	7,079,283
Total comprehensive income for the financial year	–	–	–	185,844	–	–	613,702	799,546	361,883	1,161,429
Profit for the year	–	–	–	–	–	–	613,702	613,702	283,458	897,160
Other comprehensive income:										
Foreign currency translation difference arising on consolidation	–	–	–	185,844	–	–	–	185,844	78,425	264,269
Transfer from accumulated profits	–	–	38,636	–	–	–	(38,636)	–	–	–
Share options exercised	196	–	–	–	–	–	–	196	–	196
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(228,711)	(228,711)
One-tier tax exempt dividends:										
– Final ordinary dividend paid of Singapore 2.75 cents per share in respect of 2012	–	–	–	–	–	–	(21,406)	(21,406)	–	(21,406)
– Final ordinary dividend payable of Singapore 2.75 cents per share in respect of 2012	–	–	–	–	–	–	(100,519)	(100,519)	–	(100,519)
– Interim ordinary dividend paid of Singapore 2.75 cents per share	–	–	–	–	–	–	(21,643)	(21,643)	–	(21,643)
– Interim ordinary dividend payable of Singapore 2.75 cents per share	–	–	–	–	–	–	(101,595)	(101,595)	–	(101,595)
– Non-cumulative preference dividend payable of Singapore 0.75 cents per share	–	–	–	–	–	–	(6,237)	(6,237)	–	(6,237)
Balance at 31 December 2013	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

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 2014

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 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	693,552	–	–	–	693,552
Issue of ordinary shares upon conversion of convertible bonds	351,204	–	(23,499)	–	327,705
Share options exercised	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	–	–	–	(64,669)	(64,669)
– Interim ordinary dividend payable of Singapore 3.50 cents per share	–	–	–	(152,607)	(152,607)
Balance at 31 December 2014	3,804,616	1,513	55,036	700,844	4,562,009
Balance at 1 January 2013	2,730,210	5,507	78,535	56,396	2,870,648
Total comprehensive income for the financial year	–	–	–	279,140	279,140
Share options exercised	196	–	–	–	196
One-tier tax exempt dividends:					
– Final ordinary dividend paid of Singapore 2.75 cents per share in respect of 2012	–	–	–	(21,406)	(21,406)
– Final ordinary dividend payable of Singapore 2.75 cents per share in respect of 2012	–	–	–	(100,519)	(100,519)
– Interim ordinary dividend paid of Singapore 2.75 cents per share	–	–	–	(21,643)	(21,643)
– Interim ordinary dividend payable of Singapore 2.75 cents per share	–	–	–	(101,595)	(101,595)
– Non-cumulative preference dividend payable of Singapore 0.75 cents per share	–	–	–	(6,237)	(6,237)
Balance at 31 December 2013	2,730,406	5,507	78,535	84,136	2,898,584

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 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		1,284,022	1,101,496
Profit before tax from discontinued operations		64,092	37,407
Profit before tax, total		1,348,114	1,138,903
Adjustments for:			
Depreciation of property, plant and equipment		25,697	25,680
Amortisation of intangible assets		480,415	451,470
Loss on disposal of property, plant and equipment		57	278
Write off of intangible assets		185	–
Gain on disposal of discontinued operations		(66,319)	–
Write back for impairment of inventories		–	(3,060)
Provision for warranties		1,917	6,472
Interest on convertible bonds		29,344	33,484
Realisation of deferred income		(26,306)	–
Effective interests on compensation receivable		(16,714)	–
Amortisation of loan arrangement fees		19,191	17,435
Bargain purchase gain arose from acquisition of subsidiaries		(22,783)	–
Interest expense		77,685	104,905
Interest income		(25,180)	(16,158)
Reversal of impairment loss on remeasurement of disposal group		–	(31,806)
Exchange differences		(33,405)	(45,430)
Share of results of joint ventures		(264,417)	(248,391)
Operating cash flows before movements in working capital		1,527,481	1,433,782
Inventories		(57,344)	(56,732)
Trade and other receivables		82,018	(16,801)
Trade and other payables		62,998	45,763
Cash generated from operations		1,615,153	1,406,012
Income taxes paid		(336,995)	(197,887)
Net cash generated from operating activities		1,278,158	1,208,125
INVESTING ACTIVITIES			
Interest received		25,004	14,174
Purchase of property, plant and equipment		(49,953)	(16,760)
Acquisition of subsidiaries	17	(134,784)	–
Proceeds from disposal of property, plant and equipment		162	132
Proceeds from disposal of discontinued operations	17	355,506	–
Repayment of loans by joint ventures		103,523	76,019
Dividends received		372,964	234,104
Net cash generated from investing activities		672,422	307,669
FINANCING ACTIVITIES			
Interest paid		(93,988)	(115,521)
Issue of shares under share option scheme		25,460	196
Proceeds from bank loans		1,720,390	2,300,946
Repayment of bank loans		(2,326,915)	(3,140,306)
Repayment of loan		(916,177)	–
Dividends paid to:			
Owners of the Company		(349,724)	(198,049)
Non-controlling interests of a subsidiary		(404,470)	(228,711)
Net cash used in financing activities		(2,345,424)	(1,381,445)
Net (decrease)/increase in cash and cash equivalents		(394,844)	134,349
Cash and cash equivalents at beginning of the financial year		1,449,026	1,256,354
Net effect of exchange rate changes in the balance of cash held in foreign currencies		(5,004)	58,323
Cash and cash equivalents at end of the financial year	11	1,049,178	1,449,026

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 2014

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 during the financial year were Easton Overseas Limited, a company incorporated in the British Virgin Islands ("BVI"), and China Merchants Group Limited, 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 2014 were authorised for issue by the Board of Directors on 30 March 2015.

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 2014, notably FRS 110 *Consolidated financial statements*, FRS 111 *Joint arrangements*, FRS 112 *Disclosure of interests in other entities*, Revised FRS 27 *Separate financial statements* and Revised FRS 28 *Investments in associates and joint ventures* (collectively the "Consolidation Standards").

The nature and impact of these Consolidation Standards is as follows:

FRS 110 provides a single basis for consolidation with a new definition of control based on having the power to direct the relevant activities of the investee. FRS 111 impacts the accounting for joint arrangements, defined as investments or arrangements which are subject to joint control through contractually agreed sharing of control between two or more parties. A joint arrangement is classified as either a joint operation or a joint venture, and the option to proportionately consolidate joint ventures has been removed requiring them to be accounted for under the equity method whilst joint operations are accounted for using the proportionate consolidation method. This is consistent with historical Group's policy under which investments in jointly controlled entities were accounted for using the

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

equity method. FRS 112 is a new disclosure standard for entity that has interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (see Notes 17 and 18). There were no changes in the accounting previously applied to the Company's subsidiaries, investments and joint arrangements as a result of the adoption of these Consolidation Standards. The adoption of these Consolidation Standards required retrospective application.

The adoption of these new/revised FRSs and INT FRSs did not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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 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 19	Amendments to FRS 19: Defined Employee Plans: Employee Contributions	1 July 2014
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
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
Various	Improvements to FRSs (January 2014)	Various
Various	Improvements to FRSs (February 2014)	Various
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 2014. 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 cashflows 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 reporting date 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates 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.

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 reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Business combinations (cont'd)

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.

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.

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.

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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Revenue recognition (cont'd)

Interest income

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

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 is 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Income tax (cont'd)

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.

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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Foreign currency transactions and translation (cont'd)

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.

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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Property, plant and equipment (cont'd)

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.

2.13 Intangible assets

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 Guiliu Expressway and Guihuang Highway during the pre-set operating period. 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.

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.

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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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 reporting period in which the investment is acquired.

The financial statements of the joint ventures have the same reporting date 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

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Interests in joint ventures (cont'd)

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.

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 investments 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 depends 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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.

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. The non-equity derivative features which do not qualify for separation from the host contract are hence not accounted for as derivatives under FRS 39.

Notes to Financial Statements

For the financial year ended 31 December 2014

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)

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.

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. Cost comprises 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.

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. Development properties are stated at the lower of cost less proceeds on pre-sale received and receivable less any allowance considered necessary by the directors, and estimated net realisable value. Net realisable value represents the estimated selling price less cost to be incurred in selling the property.

Costs of development properties comprise specifically identified costs, including land acquisition costs, aggregate cost of development, materials and supplies, wages and other direct costs. Interest and other holding costs applicable to properties under development are recognised as an expense in profit or loss as incurred.

When it is probable that total development costs will exceed total revenue, an allowance is recognised as an expense in profit or loss immediately.

Development properties are classified as current assets in the financial statements. Where proceeds on pre-sale received and receivable exceed the amounts recoverable, they are classified as current liabilities.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.20 Non-current assets as held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the asset (or disposal group) being available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and

(i) represents a separate major line of business or geographical area of operations;

(ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

In profit or loss of the current financial year, and of the comparative period of previous financial year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profits after tax. The disposal of the discontinued operations had been completed during the current financial year.

2.21 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.

2.22 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Provisions (cont'd)

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.

2.23 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 26. 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-base payments that were granted after 22 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

2.24 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.

2.25 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

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)

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 control of subsidiaries and joint arrangements

The Group and the Company carry on parts of its business activities through subsidiaries or joint ventures. In those circumstances, the Group and the Company have the ability to affect the significant financial and operating policies of the investees through the presence of control or joint control. The definition of control and joint control is defined in Note 2.2 and 2.16 respectively. The determination of the level of influence the Group and the Company have over a business is often a mix of contractually defined and subjective factors that can be critical to the appropriate accounting treatment of investees in the Group's and the Company's financial statements. The management exercises significant judgement in analysing and evaluating relevant, subjective, diverse and sometimes contrasting qualitative and quantitative facts and circumstances surrounding its involvement in the investees, in determining whether the Group and the Company have control or joint control over the investees.

The Group and the Company have considered factors, including but not limited to, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders, its representation at the shareholders' and directors' meetings, the voting patterns, the composition of key management personnel which included the appointing, remunerating and terminating of key management personnel or service providers of the operations, contractual arrangements and etc. There are instances, elements are present that, considered in isolation, indicate control or lack of control over an investee, but when considered together make it difficult to reach a clear conclusion. In certain circumstances, despite the lack of the required technical equity ownership, there could exist a parent-subsidiary relationship or a joint-investor relationship between the Group and the Company with these investees. Such evaluation and assessment processes do take into consideration to account for transactions and events in accordance with their substance and economic reality, and not merely their legal forms.

Differing conclusions around these judgements, may materially impact how these entities are presented in the consolidated financial statements – under the full consolidation method, equity method or proportionate consolidation method.

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.

Notes to Financial Statements

For the financial year ended 31 December 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

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 intangible assets and investment in joint ventures are disclosed in Note 16 and 18 to the financial statements respectively.

Impairments

Investments in subsidiaries, joint ventures, advances and loans, property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised in profit or loss. 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 carrying amounts of the relevant assets are disclosed in Notes 15, 16, 17 and 18 respectively.

Carrying value of inventory – development properties

The Group has development properties comprising undeveloped land, developed land and residential houses under construction and are stated at specifically identified costs less any allowance for foreseeable losses. Management reviews the development properties on a periodic basis, including comparison of the carrying value of these development properties with the respective net realisable value. In estimating the net realisable value of the development properties, management had used estimates of future costs and achievable recent sales prices over the Group's operating sales cycle. Management is satisfied that adequate allowance for foreseeable losses has been made in the financial statements. The carrying amounts of the Group's development properties are disclosed in Note 13 and 14 to the financial statements.

Fair value measurements (Notes 17, 30, 31 and 32)

An assessment of the fair value of assets and liabilities is required in accounting for business combinations and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions rarely exist.

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. Please refer to Note 22 to the financial statements.

Notes to Financial Statements

For the financial year ended 31 December 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

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 2014 was HK$162,065,000 (2013: HK$211,274,000) and HK$Nil (2013: HK$Nil) respectively.

4. REVENUE

	Group	
	2014 HK$'000	2013 HK$'000
Toll road revenue	1,994,314	1,870,146
Interest income from fixed deposits with banks	25,180	16,114
	2,019,494	1,886,620

5. OTHER OPERATING INCOME

	Group	
	2014 HK$'000	2013 HK$'000
Bargain purchase gain arose from acquisition of subsidiaries	22,783	–
Foreign exchange gain (net)	31,068	35,723
Subsidy and compensation from authorities	43,020	7,856
Others	16,545	9,421
	113,416	53,000

6. FINANCE COSTS

	Group	
	2014 HK$'000	2013 HK$'000
Interests on convertible bonds	29,344	33,484
Amortisation of loan arrangement fees	19,191	17,435
Interest on bank borrowings	76,418	102,821
	124,953	153,740

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.

Notes to Financial Statements

For the financial year ended 31 December 2014

7. SUBSIDY INCOME – GROUP (CONT'D)

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:

(a) For Guiliu JVs, the Group is entitled to receive the annual subsidy during the period from 1 January 2000 to 31 December 2009; and

(b) 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	
	2014	**2013**
	HK$'000	**HK$'000**
Toll roads and related expense	906,503	840,899
Foreign exchange gain, net	(31,068)	(35,723)
Loss on disposal of property, plant and equipment	57	265
Write off of intangible assets	185	–
Non-audit fees paid and payable to auditors of the Company	38	57
Audit fees:		
– paid and payable to auditors of the Company	1,232	1,186
– paid and payable to other auditors	1,427	1,409
Operating lease expense	5,822	5,305
Staff costs	206,147	192,293
Contributions to defined contribution plans, included in staff costs	22,671	23,631
Directors' remuneration:		
– of the Company	5,521	4,283
– of the subsidiaries	4,106	1,407
Directors' fee	825	712

9. INCOME TAX EXPENSE

	Group	
	2014	**2013**
	HK$'000	**HK$'000**
Current tax expense		
Current financial year	265,505	229,778
Overprovision in prior financial year	(62)	–
	265,743	229,778
Deferred tax expense		
Movements of temporary differences	23,275	11,681
(Over)/Underprovision in prior financial year	(518)	284
Total charged to profit or loss (Note 20)	22,757	11,965
Income tax expense	288,500	241,743
Income tax expense/(credit) attributable to the following:		
– Continuing operations	288,500	253,067
– Discontinued operations (Note 14)	–	(11,324)
	288,500	241,743

Notes to Financial Statements

For the financial year ended 31 December 2014

9. INCOME TAX EXPENSE (CONT'D)

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

Reconciliation of effective tax rate

	Group	
	2014 HK$'000	**2013 HK$'000**
Profit before tax from continuing operations	1,284,022	1,101,496
Profit before tax from discontinued operations	64,092	37,407
Profit before tax, total	1,348,114	1,138,903
Share of results of joint ventures, net of tax	(264,417)	(248,391)
Profit before tax excluding share of results of joint ventures	1,083,697	890,512
Income tax using domestic rates applicable to profits in each country	283,886	249,104
Expenses not deductible for tax purposes	21,899	14,716
Income not subject to tax	(33,770)	(21,220)
Withholding tax on unremitted profit of joint ventures and subsidiaries	14,807	11,409
Unrecognised deferred tax assets	2,258	296
Deferred tax assets written off	–	(12,846)
(Over)/under provision in prior financial year	(580)	284
Total income tax expense for the financial year	288,500	241,743

10. EARNINGS PER SHARE

Basic earnings per share is based on:

	Group					
	Continuing operations		**Discontinued operations**		**Total**	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Profit for the financial year	675,323	564,971	64,092	48,731	739,415	613,702
Dividends on RCPS	–	(6,237)	–	–	–	(6,237)
Profit attributable to ordinary shareholders	675,323	558,734	64,092	48,731	739,415	607,465

	2014 ('000)	**2013 ('000)**
Number of ordinary shares in issue at beginning of the financial year	718,856	718,816
Issue of shares under share options scheme	2,537	9
Issue of shares upon conversion of convertible bonds	25,894	–
Issue of shares in connection with the acquisition of subsidiaries	36,807	–
Conversion of RCPS	41,866	–
Weighted average number of ordinary shares in issue during the financial year	825,960	718,825

Notes to Financial Statements

For the financial year ended 31 December 2014

10. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share is based on:

	Group					
	Continuing operations		**Discontinued operations**		**Total**	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Profit for the financial year	675,323	564,971	64,092	48,731	739,415	613,702
Dividends on RCPS	–	(6,237)	–	–	–	(6,237)
Profit attributed to ordinary shareholders	675,323	558,734	64,092	48,731	739,415	607,465
Adjustment to profit arising from full conversion of RCPS	–	6,237	–	–	–	6,237
Adjustment on the finance costs arising from full conversion of convertible bonds	40,538	45,170	–	–	40,538	45,170
Adjusted profit attributable to ordinary shareholders	715,861	610,141	64,092	48,731	779,953	658,872

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.

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:

	2014 ('000)	**2013 ('000)**
Weighted average number of:		
Ordinary shares used in the calculation of basic earnings per share	825,960	718,825
Potential ordinary shares issuable under:		
– RCPS	93,915	135,781
– Share options	1,243	1,016
– Convertible bonds	196,266	218,548
Weighted average number of ordinary shares in issue and potential ordinary shares assuming full conversion	1,117,384	1,074,170

11. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Cash at bank and in hand	172,340	137,372	37,926	15,402
Fixed deposits with banks	876,838	1,310,927	86,144	322,877
Cash and cash equivalents	1,049,178	1,448,299	124,070	338,279

Notes to Financial Statements

For the financial year ended 31 December 2014

11. CASH AND CASH EQUIVALENTS (CONT'D)

The effective interest rates per annum of cash and cash equivalents at the financial year end range from 0.05% to 4.25% (2013: 0.05% to 3.80%) per annum and 0.05% to 0.90% (2013: 0.05% to 3.80%) 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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
United States dollars	134,982	41,972	102,323	3,124
Singapore dollars	17,624	8,303	17,624	8,303
Chinese Renminbi	2,777	323,406	2,702	323,394

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.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

	Group	
	2014 HK$'000	2013 HK$'000
Cash and cash equivalents		
– Continuing operations	1,049,178	1,448,299
– Discontinued operations (Note 14)	–	727
	1,049,178	1,449,026

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Amounts due from subsidiaries (non-trade) (net of allowances for doubtful debts)	–	–	764,459	3,462
Dividend receivable from subsidiary	–	–	242,355	98,017
Amount receivable from joint ventures	50,704	–	–	–
Amount receivable from authorities	96,382	–	–	–
Dividends receivable from joint ventures	190	660	–	–
Subsidy receivable from Sino joint venture partners	8,049	22,048	–	–
Amount receivable from toll operations	29,855	28,074	–	–
Deposits	984	721	878	696
Prepayments	5,796	8,175	4,648	7,767
Other receivables	7,801	11,149	607	1,334
Trade and other receivables	199,761	70,827	1,012,947	111,276
Add: Cash and cash equivalents (Note 11)	1,049,178	1,448,299	124,070	338,279
Less: Prepayments	(5,796)	(8,175)	(4,648)	(7,767)
Loans and receivables at amortised cost (Note 30)	1,243,143	1,510,951	1,132,369	441,788

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For the financial year ended 31 December 2014

12. TRADE AND OTHER RECEIVABLES (CONT'D)

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 2014 (2013: 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 year 2014 and 2013.

Included in the Group's trade and other receivables are balances with a carrying amount of HK$192,981,000 (2013: HK$61,931,000) 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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
United States dollars	72	–	72	–
Singapore dollars	1,626	1,310	1,626	1,310
Chinese Renminbi	155,325	23,682	245,700	102,452

	Group	
	2014 HK$'000	2013 HK$'000
Trade and other receivables		
– Continuing operations	199,761	70,827
– Discontinued operations (Note 14)	–	9,675
	199,761	80,502

13. INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Cost of land	–	365,954
Development costs	–	121,185
Development properties	–	487,139
Consumable goods	970	832
	970	487,971
Inventories		
– Continuing operations	970	832
– Discontinued operations (Note 14)	–	487,139
	970	487,971

In financial year 2013, the development properties were mortgaged to a bank for banking facilities granted to certain subsidiaries.

Notes to Financial Statements

For the financial year ended 31 December 2014

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 major classes of assets and liabilities of disposal group, CMP(NZ) classified as held-for-sale as at 31 December are as follows:

	Group	
	2014	**2013**
	HK$'000	**HK$'000**
Assets:		
Property, plant and equipment (Note 15)	–	15,701
Deferred tax assets (Note 20)	–	22,717
Inventories (Note 13)	–	487,139
Trade and other receivables (Note 12)	–	9,675
Cash and cash equivalents (Note 11)	–	727
Less:		
Allowance made for impairment loss as remeasurement of disposal group	–	(23,741)
Assets of disposal group classified as held-for-sale	–	512,218
Liabilities:		
Trade and other payables (Note 21)	–	138,232
Interest-bearing liabilities (Note 22)	–	12,755
Provision for warranties (Note 23)	–	5,179
Liabilities directly associated with disposal group classified as held-for-sale	–	156,166
Net assets directly associated with disposal group classified as held-for-sale	–	356,052

All the financial assets and liabilities held by CMP(NZ) are denominated in New Zealand dollar.

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For the financial year ended 31 December 2014

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

The results of CMP(NZ) for the financial years ended 31 December are as follows:

	Group	
	2014	**2013**
	HK$'000	**HK$'000**
Sales of development properties and design and build contract revenue	58,204	329,424
Interest income	–	44
Revenue	58,204	329,468
(Impairment loss recognised)/reversal of impairment loss on remeasurement of disposal group	(14,641)	31,806
Loss on disposal of property, plant and equipment	–	(13)
Finance costs	(1,267)	(2,084)
Foreign currency translation difference reclassified to income statement upon disposal of discontinued operations	80,960	-
Income tax credit	–	11,324
Profit for the financial year	64,092	48,731

Cash flow statement disclosures

	Group	
	2014	**2013**
	HK$'000	**HK$'000**
Operating	(22,127)	(27,418)
Investing	(517)	(1,688)
Financing	22,451	12,599
Net cash outflows	(193)	(16,507)

Earnings per share disclosures

	Group	
	2014	**2013**
Earnings per share from discontinued operations attributable to owners of the Company (HK Cents):		
Basic	7.76	6.78
Diluted	5.74	4.54

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 2014

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 2013	13,893	117,393	356	370	70,852	15,764	16,233	7,190	552	242,603
Additions	–	–	–	39	3,517	508	4,681	–	8,015	16,760
Disposals	–	–	–	–	(602)	(396)	(100)	–	–	(1,098)
Exchange differences	(9)	3,684	(4)	8	1,933	571	491	225	94	6,993
At 31 December 2013	13,884	121,077	352	417	75,700	16,447	21,305	7,415	8,661	265,258
Additions	–	–	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
Disposals	–	–	(359)	(43)	(135)	(337)	(133)	–	–	(1,007)
Reclassifications	–	–	–	867	(3,409)	2,542	–	–	–	–
Transfers (Note 16)	–	–	–	1	(1,064)	12	25	–	(20,404)	(21,430)
Exchange differences	620	(409)	–	11	264	(19)	(33)	(25)	180	589
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
Accumulated depreciation:										
At 1 January 2013	1,882	7,414	324	137	20,057	1,585	3,680	406	–	35,485
Depreciation	–	5,175	11	53	9,707	5,150	3,097	2,487	–	25,680
Disposals	–	–	–	–	(532)	(99)	(57)	–	–	(688)
Exchange differences	(1)	284	(4)	3	499	181	145	35	–	1,142
At 31 December 2013	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
Carrying amount:										
At 31 December 2014	–	102,622	1,160	1,202	33,104	7,950	16,740	2,042	44,487	209,307
At 31 December 2013	12,003	108,204	21	224	45,969	9,630	14,440	4,487	8,661	203,639

Carrying amount:	2014 HK$'000	2013 HK$'000
Continuing operations	209,307	187,938
Discontinued operations (Note 14)	–	15,701
	209,307	203,639

Notes to Financial Statements

For the financial year ended 31 December 2014

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 2013	497	174	185	426	2,033	3,315
Additions	–	–	5	50	–	55
Disposals	–	–	–	(74)	–	(74)
At 31 December 2013	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
Accumulated depreciation:						
At 1 January 2013	465	173	173	256	64	1,131
Depreciation	11	–	5	51	196	263
Disposals	–	–	–	(74)	–	(74)
At 31 December 2013	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
Carrying amount:						
At 31 December 2014	1,160	88	20	114	1,577	2,959
At 31 December 2013	21	1	12	169	1,773	1,976

16. INTANGIBLE ASSETS

	Group 2014 HK$'000	Group 2013 HK$'000
Cost:		
At 1 January	10,169,852	9,860,414
Acquired on acquisition of subsidiaries (Note 17)	3,626,513	–
Transfer from construction in progress (Note 15)	19,536	–
Written off during the financial year	(265)	–
Exchange differences	(21,058)	309,438
At 31 December	13,794,578	10,169,852
Amortisation:		
At 1 January	885,344	416,531
Amortisation for the financial year	480,415	451,470
Written off during the financial year	(80)	–
Exchange differences	(197)	17,343
At 31 December	1,365,482	885,344
Carrying amount:		
At 31 December	12,429,096	9,284,508

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"), and Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd ("Jiurui").

Notes to Financial Statements

For the financial year ended 31 December 2014

16. INTANGIBLE ASSETS (CONT'D)

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) 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) for a period of 25 years from December 1998 to December 2023 for Daqi-Dazhujia Section (寧波大碶至大朱家段) and from May 2000 to May 2025 for Panhuo-Xiwu Section (寧波潘火至西塢段); and

(c) Jiurui was granted the rights to operate Jiurui Expressway located at the east-western area of Jiujiang Municipality (九江市) connecting with Ruicheng Municipality (瑞昌市) in the west of Jiangxi Province for a period of 30 years from 1 January 2011 to 31 December 2040.

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.

Certain intangible assets were mortgaged to secure bank loans in 2013 (Note 22).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Investments in subsidiaries, at cost	1,091,890	994,545
Loans to subsidiaries	6,811,575	4,849,265
	7,903,465	5,843,810
Impairment losses	(89,733)	(89,733)
	7,813,732	5,754,077

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 2013 and 2014.

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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 2014 %	2013 %
China Merchants Pacific (NZ) Limited and its subsidiaries[1]:	New Zealand	Investment holding	–	100
Universal Homes Limited[1]	New Zealand	Development of land and the construction and sale of residential housing	–	100
Residential Finance Limited[1]	New Zealand	Providing finance for the purchase of private residential housing	–	100
The Home Loan Company Limited[1]	New Zealand	Providing finance for the purchase of private residential housing	–	100
Day Castle Investment Limited[2]	Hong Kong	Investment holding	100	100
China Merchants Pacific Infrastructure Management (Shenzhen) Co., Ltd[6]	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[6]:	PRC	Investment holding	100	100
Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd[6]	PRC	Operation of toll road	51	51
China Merchants Pacific Business Management (Beijing) Co., Ltd.[6]	PRC	Providing business management and consultancy service	100	100
Successful Road Corporation[3]	British Virgin Islands	Investment holding	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 2014 %	2013 %
Successful Road Corporation (S) Pte. Ltd.[4] and its subsidiaries[5]:	Singapore	Investment holding	100	100
Zheyu One Highway Pte. Ltd.[4]	Singapore	Investment holding	100	100
Zheyu Two Highway Pte. Ltd.[4]	Singapore	Investment holding	100	100
Zheyu Three Highway Pte. Ltd.[4]	Singapore	Investment holding	100	100
Yuexi Highway Pte. Ltd.[7]	Singapore	Investment holding	–	100
Yushao Expressway Pte. Ltd.[7]	Singapore	Investment holding	–	100
Yudeng Expressway Pte. Ltd.[7]	Singapore	Investment holding	–	100
Xinan Expressway Pte. Ltd.[4]	Singapore	Investment holding	100	100
Guijin Expressway Pte. Ltd.[4]	Singapore	Investment holding	100	100
Guiyun Highway Pte. Ltd.[4]	Singapore	Investment holding	100	100
Beilun (Hong Kong) Investments Limited[2] and its subsidiary:	Hong Kong	Investment holding	100	100
Ningbo Beilun Port Expressway Co., Ltd.[6]	PRC	Operation of toll road	100	100
Hong Kong Honest Queen International Investment Limited[2] and its subsidiary:	Hong Kong	Investment holding	100	–
Honest Queen International (Jiangxi) Jiurui Expressway Development Co., Ltd[6]	PRC	Operation of toll road	100	–

(1) Audited by William Buck Christmas Gouwland Ltd, New Zealand, and a member of Praxity Global Alliance of Independent Firms.

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

(3) 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.

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

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

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

(7) Liquidated during the financial year.

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For the financial year ended 31 December 2014

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 reporting dates		Dividends paid to NCI	
		2014	2013	2014	2013	2014	2013	2014	2013
		%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd	PRC	49	49	320,199	283,458	2,555,731	2,652,193	404,470	228,711

Summarised financial information (before intercompany eliminations):

	Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd	
	2014	2013
	HK$'000	HK$'000
Assets		
Non-current	6,443,482	6,762,862
Current	40,159	400,031
Liabilities		
Non-current	566,071	1,275,858
Current	797,190	574,554
Net assets	5,120,380	5,312,481
Revenue	1,639,636	1,526,796
Profit after tax	658,126	582,973
Total comprehensive income	658,126	582,973
Net cash flow from operating activities	972,065	987,544

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$5,102,830 (2013: HK$4,941,256) as at 31 December 2014 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.

Acquisition of subsidiaries in the current financial year

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 operations 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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17. INTERESTS IN SUBSIDIARIES (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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17. INTERESTS IN SUBSIDIARIES (CONT'D)

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.

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 2014, 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 2014, 25% of the shares of 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.

Disposal of discontinued operations in the current financial year

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.

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For the financial year ended 31 December 2014

17. INTERESTS IN SUBSIDIARIES (CONT'D)

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	
	2014 HK$'000	2013 HK$'000
Investments in joint ventures	674,018	674,018
Share of post-acquisition undistributed profits and other comprehensive income, net of dividends received	1,033,977	1,152,286
Impairment losses	(100,000)	(100,000)
	1,607,995	1,726,304
Loans to joint ventures	94,471	200,468
	1,702,466	1,926,772

Movement of accumulated impairment loss:

	2014 HK$'000	2013 HK$'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.

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For the financial year ended 31 December 2014

18. INTERESTS IN JOINT VENTURES (CONT'D)

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	
			2014 %	2013 %
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
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

Notes to Financial Statements

For the financial year ended 31 December 2014

18. INTERESTS IN JOINT VENTURES (CONT'D)

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.

(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 2014 %	Effective equity held by the Group 2013 %
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.

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18. INTERESTS IN JOINT VENTURES (CONT'D)

In the current financial year, 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.

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 2014, deferred income from this compensation amounted to HK$160,002,000 (2013: Nil) relating to future periods was recorded.

(1) Audited by ShineWing Certified Public Accountants, 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 廣西中威華通會計師事務所(Guangxi Zhongwei Huatong Certified Public Accountants Co., Ltd.), a member of the Chinese Institute of Certified Public Accountants, for statutory purposes.

(4) Audited by 立信會計師事務所(特殊普通合伙)貴州分所 (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, reflecting 100% of the underlying joint ventures relevant figures, is set out below.

	Guiliu JVs		Guihuang JVs	
	2014	2013	2014	2013
Assets and liabilities	HK$'000	HK$'000	HK$'000	HK$'000
Toll road operating rights	1,862,289	1,974,115	617,508	685,948
Other non-current assets	39,835	35,038	30,879	33,619
Non-current assets	1,902,124	2,009,153	648,387	719,567
Current assets, excluding cash and cash equivalents	120,228	71,749	104,425	95,639
Cash and cash equivalents	317,560	191,819	117,437	129,496
Total assets	2,339,912	2,272,721	870,249	944,702
Non-current liabilities	169,395	189,568	69,819	128,325
Current liabilities	66,126	70,633	125,710	155,548
Total liabilities	235,521	260,201	195,529	283,873

There are no non-financial assets and liabilities as at the financial years ended 31 December 2013 and 2014.

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 the 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.

The Group's share of the assets and liabilities of the joint ventures has not been disclosed as such assets and liabilities cannot be allocated to the Group on a reasonable basis given that the Group's profit-sharing ratios in the joint ventures for certain years of their operating periods are different from the proportion of the ownership interest held by the Group in each of these joint ventures.

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For the financial year ended 31 December 2014

18. INTERESTS IN JOINT VENTURES (CONT'D)

These joint ventures have no bank borrowings as at 31 December 2013 and 2014.

	Guiliu JVs		Guihuang JVs	
	2014	2013	2014	2013
Results	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	790,000	758,402	299,076	259,321
Interest income	6,048	907	4,963	3,716
Expenses, including the following:	(268,280)	(261,490)	(118,875)	(113,620)
Depreciation and amortisation	(128,731)	(120,974)	(109,768)	(76,777)
Interest expense	–	(3,256)	–	–
Profit before tax	528,368	497,819	185,164	149,417
Income tax expense	(78,378)	(75,360)	(18,582)	(19,810)
Profit after tax	449,990	422,459	166,582	129,607
Other comprehensive income	–	–	–	–
Total comprehensive income	449,990	422,459	166,582	129,607
Group's share of joint venture profit for the year	153,914	146,226	110,503	102,165

Dividends received from Guiliu JVs and Guihuang JVs amounted to HK$157,145,000 (2013: HK$129,389,000) and HK$215,819,000 (2013: HK$105,376,000) 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 2014, the carrying amount of the Group's investments in joint ventures of HK$1,607,995,000 (2013: HK$1,726,304,000) 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	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Club membership	376	376	896	896
Impairment losses	–	–	(520)	(520)
	376	376	376	376

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For the financial year ended 31 December 2014

20. DEFERRED TAX

	Group 2014 HK$'000	Group 2013 HK$'000
Deferred tax liabilities	(960,955)	(713,162)

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 2013	11,371	(13)	(11,400)	(20,512)	(658,846)	(679,400)
Credit/(Charge) to profit or loss (Note 9)	(7,047)	18,371	(13,884)	(12,800)	3,395	(11,965)
Utilisation	–	–	11,684	10,004	–	21,688
Exchange differences	(32)	67	–	–	(20,803)	(20,768)
At 31 December 2013	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)

Deferred tax (liabilities)/assets:

	Group 2014 HK$'000	Group 2013 HK$'000
Continuing operations	(960,955)	(713,162)
Discontinued operations (Note 14)	–	22,717
	(960,955)	(690,445)

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20. DEFERRED TAX (CONT'D)

(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	
Joint ventures	**2014 HK$'000**	**2013 HK$'000**
At 1 January	13,600	11,400
(Over)/Underprovision in prior financial year	(518)	284
Charged for the financial year	15,400	13,600
Utilisation	(13,082)	(11,684)
At 31 December	15,400	13,600

	Group	
Subsidiaries	**2014 HK$'000**	**2013 HK$'000**
At 1 January	23,308	20,512
Charged for the financial year	15,300	12,800
Utilisation	(10,112)	(10,004)
At 31 December	28,496	23,308

(c) At 31 December 2014, deferred tax liability for taxable temporary differences of HK$181,112,000 (2013: HK$181,117,000) 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	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Tax losses	803,929	163,992	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.

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21. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
Trade payables	220,791	205,729	–	–
Deposits received	224	15,259	216	138
Other tax payable	55,916	56,241	–	–
Unclaimed dividends	1,498	1,495	1,498	1,495
Amount due to subsidiary (non-trade)	–	–	–	112,946
Advance received	20,889	6,728	–	–
Other payables and accruals	316,613	186,735	20,111	19,020
Interest payable	17,360	10,025	15,854	6,848
Trade and other payables	633,291	482,212	37,679	140,447
Add: Dividend payable	498,009	439,954	498,009	439,954
Add: Financial liabilities of disposal group as held-for-sale	–	150,987	–	–
Less: Other tax payable	(55,916)	(56,241)	–	–
Add: Borrowings (Note 22)	4,247,038	3,668,205	3,856,387	2,726,999
Financial liabilities at amortised cost (Note 30)	5,322,422	4,685,117	4,392,075	3,307,400

	Group	
	2014 HK$'000	**2013 HK$'000**
Trade and other payables		
– Continuing operations	633,291	482,212
– Discontinuing operations (Note 14)	–	138,232
	633,291	620,444

The amount due to subsidiary is unsecured and interest-free, and is repayable on demand.

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	
	2014 HK$'000	**2013 HK$'000**	**2014 HK$'000**	**2013 HK$'000**
United States dollars	14,047	3,525	14,047	3,525
Singapore dollars	9,489	9,069	9,489	9,069
Chinese Renminbi	792	456	792	443

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22. INTEREST-BEARING LIABILITIES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Loan A (i)	–	12,755	–	–
Loan B (ii)	249,615	499,153	249,615	499,153
Less: unamortised borrowing costs	(831)	(3,087)	(831)	(3,087)
	248,784	496,066	248,784	496,066
Loan C (iii)	–	839,454	–	–
Loan D (iv)	329,576	–	–	–
Loan E (v)	61,075	101,752	–	–
Loan F (vi)	1,163,625	1,163,145	1,163,625	1,163,145
Less: unamortised borrowing costs	(11,545)	(15,323)	(11,545)	(15,323)
	1,152,080	1,147,822	1,152,080	1,147,822
Loan G (vii)	1,706,650	–	1,706,650	–
Less: unamortised borrowing costs	(24,091)	–	(24,091)	–
	1,682,559	–	1,682,559	–
	3,474,074	2,597,849	3,083,423	1,643,888
Convertible bonds (viii)	772,964	1,083,111	772,964	1,083,111
	4,247,038	3,680,960	3,856,387	2,726,999
Less: Amount due for settlement within 12 months (shown under current liabilities)	(402,048)	(248,748)	(248,784)	(248,748)
Less: Reclassification to disposal group as held-for-sale (Note 14)	–	(12,755)	–	–
Amount due for settlement after 12 months	3,844,990	3,419,457	3,607,603	2,478,251

The Group has the following loans:

(i) Bank loan A relates to New Zealand dollar denominated bank loan that is secured by (a) first mortgage over the freehold land and building (see Note 15); and (b) first floating charge debenture over all the assets (including the development properties (see Note 13)) of China Merchants Pacific (NZ) Limited and its subsidiaries. The bank loan is cross-guaranteed and indemnified from and between China Merchants Pacific (NZ) Limited and its subsidiaries. The effective interest rate of the bank loan at the reporting date was 5.11% per annum in financial year 2013. This loan facility belongs to the discontinued operations which has since been disposed in financial year 2014.

(ii) Bank loan B 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. The respective tranches average effective interest rate on the United States dollar facility is 2.71% and 2.87% (2013: 2.94% and 2.71%) per annum and the average effective interest rate on the Hong Kong dollar facility is 2.86% and 2.88% (2013: 2.88% and 2.87%) per annum.

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22. INTEREST-BEARING LIABILITIES (CONT'D)

(iii) Bank loan C was secured by a charge over intangible assets with the carrying value of HK$4,026,130,000 in financial year 2013. The loan was repaid in financial year 2014. Interest was charged at the central bank base interest rate with a floating margin of 10% on the central base interest rate per annum. The average effective interest rates on the bank loans was 5.90% and 7.32% per annum in financial year 2013.

(iv) Loan D is a Chinese Renminbi facility of RMB260,000,000. Repayments shall commence in September 2015 in three instalments with final instalment on 1 February 2017. The average effective interest of the loan is 5.54% (2013: Nil) per annum.

(v) Loan E 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 3.22% (2013: 4.22%) per annum.

(vi) Bank loan F is a 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 2.60% and 2.62% (2013: 2.62%) per annum.

(vii) Bank loan G is a United States dollar facility of US$220,000,000. Its repayment schedule is as follows:

Repayment date	Repayment schedule
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 2.83% per annum.

(viii) 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$0.84 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.

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22. INTEREST-BEARING LIABILITIES (CONT'D)

(viii) Convertible bonds (cont'd)

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Carrying amount of interest-bearing liabilities as at 1 January	1,083,111	1,064,164
Partial conversion during the financial year	(327,705)	–
Accreted interest	17,558	18,947
Carrying amount of interest-bearing liabilities as at 31 December	772,964	1,083,111

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 25).

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.

23. PROVISION FOR WARRANTIES

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	5,179	27,534
Provision made	1,917	6,472
Provision used	(125)	(28,701)
Translation differences	257	(126)
Disposal of discontinued operations (Note 17)	(7,228)	–
At 31 December	–	5,179

The provision for warranties is based on management's best estimates of total cost to repair the affected houses in respect of the Group's development properties. The total costs have been apportioned to other entities involved in the claims and the Group has recognised its portion of the claim. These claims were expected to be settled within the next 12 months.

This provision for warranties relates to the discontinued operations of the Group which has since been disposed in financial year 2014.

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24. 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 2013	718,816	2,238,155	135,781	492,055	2,730,210
Share options exercised	40	196	–	–	196
At 31 December 2013	718,856	2,238,351	135,781	492,055	2,730,406
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	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

In 2014, 66,411,293 ordinary shares (2013: Nil) were issued as a result of the conversion of convertible bonds at the conversion price of S$0.84 and S$0.826 respectively (2013: Nil).

The Company issued 5,238,000 ordinary shares (2013: 40,000) pursuant to share options scheme at a weighted average price of S$0.789 (2013: S$0.789).

On 9 September 2014, 119,374,987 ordinary shares were issued as a result of the acquisition of Jiurui Expressway (see Note 17) (2013: Nil).

On 9 September 2014, 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 (2013: Nil).

All newly issued ordinary shares in financial year 2014 rank pari passu with the existing ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The holder of the RCPS is entitled to vote at meetings of the Company only on resolutions for varying the rights attached to the RCPS or for the winding up of the Company. All shares rank equally with regard to the Company's residual assets except that the holder of the RCPS participates only to the extent of S$0.50 (being the par value of the RCPS prior to 30 January 2006).

The RCPS confer upon the holder the following rights:

(a) Right to receive a fixed non-cumulative preference dividend per share at the rate of 1.5% per annum calculated on S$0.50 (being the par value of the RCPS prior to 30 January 2006). The said dividend shall be paid in priority to any dividend or distribution in favour of holders of other classes of shares in the Company.

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For the financial year ended 31 December 2014

24. SHARE CAPITAL (CONT'D)

(b) Right to convert the RCPS into fully paid ordinary shares in the capital of the Company subject to the following conditions:

(i) Subject to Note (b)(iii) below, the holder of the RCPS shall be entitled, at any time after the date falling on the third anniversary of the date of issue of the RCPS (the "Third Anniversary"), to convert any of the RCPS into ordinary shares.

(ii) Notwithstanding Note (b)(i) above, if at any time prior to the Third Anniversary, there is any proposal to change or vary the share capital of the Company (the "Proposal") which will result in the holder of the RCPS owning less than 35% of the total number of ordinary shares issued in the capital of the Company after such Proposal is effected, the holder of the RCPS shall be entitled, subject to completion of the Proposal, to convert such number of RCPS as may be necessary so that it will hold up to but not more than 35% of the total number of ordinary shares issued in the capital of the Company upon such Proposal being effected.

(iii) Subject to Note (d) below, prior to each anniversary after the Third Anniversary, the holder of the RCPS shall be entitled to convert up to one third of the total number of RCPS issued on the date of issue.

(iv) The holder of the RCPS shall be entitled to convert the RCPS into fully paid ordinary shares of the Company at the conversion rate of one ordinary share of the Company for every RCPS.

(v) The right to convert shall be exercisable by the holder of the RCPS by delivering to the Company not less than 21 days' notice in writing (the "Notice Period") of its desire so to convert (the "Conversion Notice"), such notice to specify the number of RCPS it desires to convert and accompanied by the share certificate(s) covering such shares. A Conversion Notice, once given, may not be withdrawn without the consent in writing of the Company.

(vi) The ordinary shares, which are issued as a result of the conversion of the RCPS, shall rank pari passu in all respects with the then existing ordinary shares in the capital of the Company.

The Company is entitled to the following redemption rights in respect of the RCPS:

(c) The Company shall, prior to each anniversary after the Third Anniversary, be entitled to redeem up to one third of the total number of RCPS issued on the date of issue.

(d) For the avoidance of doubt, in the event the holder of the RCPS exercises its conversion right in Note (b)(iii) above and the Company, during the Notice Period, exercises its right of redemption in Note (c) and the number of outstanding RCPS is insufficient for a conversion as well as a redemption, the Company's right to redeem shall take priority.

(e) The Company shall exercise its right of redemption by giving not less than 7 days prior notice of redemption (the "Redemption Notice") specifying the number of RCPS to be redeemed.

(f) The redemption price for each RCPS shall be S$0.761.

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For the financial year ended 31 December 2014

25. 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 26 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.

26. 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.

Notes to Financial Statements

For the financial year ended 31 December 2014

26. SHARE-BASED PAYMENTS (CONT'D)

- 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 had expired in 2012.

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

	Group and Company			
	2014		2013	
	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	9,488	0.78	9,528	0.78
Exercised during the financial year	(5,238)	0.78	(40)	0.78
Outstanding at the end of the financial year	4,250	0.78	9,488	0.78
Exercisable at the end of the financial year	4,250	0.78	9,488	0.78

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 2014 ('000)	No. of share options outstanding 2013 ('000)
6 October 2006	6 October 2016	0.789	4,250	9,488

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

Grantees of options	Non-executive directors	Other employees of the Group
Date of grant of options	06/10/2006	06/10/2006
Fair value at measurement date	S$0.135	S$0.106
Share price	S$0.800	S$0.800
Exercise price	S$0.789	S$0.789
Expected volatility	30.87%	25.52%
Expected option life	2.56 years	2.14 years
Expected dividends	6.73%	6.73%
Risk-free interest rate	2.81%	2.73%

Notes to Financial Statements

For the financial year ended 31 December 2014

26. SHARE-BASED PAYMENTS (CONT'D)

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.

27. SEGMENT REPORTING

The Group has two reportable segments, as described below, which are the Group's strategic business units. 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 : 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

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

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For the financial year ended 31 December 2014

27. SEGMENT REPORTING (CONT'D)

2013	Toll road operations HK$'000	Property development *(discontinued)* HK$'000	Total HK$'000
External revenue	1,870,146	329,424	2,199,570
Interest income	6,616	44	6,660
	1,876,762	329,468	2,206,230
Interest expense	(153,740)	(2,084)	(155,824)
Depreciation and amortisation	(475,732)	(1,154)	(476,886)
Reportable segment profit before income tax	1,107,854	37,407	1,145,261
Share of profit of joint ventures, net of tax	248,391	–	248,391
Reportable segment assets	10,642,351	512,218	11,154,569
Interests in joint ventures	1,926,772	–	1,926,772
Capital expenditure	15,011	1,694	16,705
Reportable segment liabilities	4,220,932	156,166	4,377,098

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

	2014 HK$'000	2013 HK$'000
Revenues		
Total revenue for reportable segments	2,072,484	2,206,230
Unallocated revenue	5,214	9,498
Elimination of discontinued operations	(58,204)	(329,468)
Consolidated revenue	2,019,494	1,886,260
Profit or loss		
Total profit for reportable segments	1,374,574	1,145,261
Elimination of discontinued operations	(64,092)	(37,407)
Unallocated amounts:		
– Other corporate expenses	(26,460)	(6,358)
Consolidated profit before income tax	1,284,022	1,101,496
Assets		
Total assets for reportable segments	13,755,150	11,154,569
Interests in joint ventures	1,702,466	1,926,772
Other unallocated amounts	133,538	350,429
Consolidated total assets	15,591,154	13,431,770
Liabilities		
Total liabilities for reportable segments	5,002,652	4,377,098
Other unallocated amounts	1,658,708	1,293,875
Consolidated total liabilities	6,661,360	5,670,973

Other material items

Other material items 2014	Reportable segment totals HK$'000	Adjustments HK$'000	Totals HK$'000
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)

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For the financial year ended 31 December 2014

27. SEGMENT REPORTING (CONT'D)

Other material items (cont'd)

Other material items 2013	Reportable segment totals HK$'000	Adjustments HK$'000	Totals HK$'000
Interest income	6,660	9,498	16,158
Interest expense	(155,824)	–	(155,824)
Capital expenditure	16,705	55	16,760
Depreciation and amortisation	(476,886)	(264)	(477,150)

Geographical information

The Group operates in three principal geographical areas – PRC, Singapore and New Zealand.

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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Based on location of customers						
PRC	2,019,491	1,886,257	12,635,444	9,470,470	1,702,466	1,926,772
Singapore	3	3	3,335	2,352	–	–
	2,019,494	1,886,260	12,638,779	9,472,822	1,702,466	1,926,772
New Zealand *(discontinued)*	58,204	329,468	–	15,701	–	–
	2,077,698	2,215,728	12,638,779	9,488,523	1,702,466	1,926,772

28. 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		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Payable:				
Within 1 year	3,032	2,370	3,032	2,370
After 1 year but within 5 years	5,406	85	5,406	85
	8,438	2,455	8,438	2,455

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For the financial year ended 31 December 2014

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).

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.

During the financial year, 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 14).

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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Short-term employee benefits	24,665	22,604	9,993	7,624
Post-employment benefits	2,692	1,897	938	615
	27,357	24,501	10,931	8,239

Directors also participate in the Group's employee share options scheme. At the end of the financial year, there were no (2013: 1,200,000) outstanding share options which were granted to the directors of the Company.

Notes to Financial Statements

For the financial year ended 31 December 2014

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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Financial assets				
Loans and receivables (Note 12)	1,243,143	1,510,951	1,132,369	441,788
Financial liabilities				
Amortised cost (Note 21)	5,322,422	4,685,117	4,392,075	3,307,400

(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.

Notes to Financial Statements

For the financial year ended 31 December 2014

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONT'D)

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

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

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				Company			
	Assets		Liabilities		Assets		Liabilities	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
United States dollars	135,054	41,972	49,993	189,024	102,395	3,124	49,993	189,024
Singapore dollars	19,016	9,362	9,489	9,068	19,016	9,362	9,489	9,068
Chinese Renminbi	158,102	346,114	792	456	248,402	425,846	792	443

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	
	2014	2013	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group						
Profit or loss	8,506	(14,705)	953	29	15,731	44,811
Company						
Profit or loss	5,240	(18,590)	953	29	24,761	42,540

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	
	2014	2013	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group						
Profit or loss	(8,506)	14,705	(953)	(29)	(15,731)	(44,811)
Company						
Profit or loss	(5,240)	18,590	(953)	(29)	(24,761)	(42,540)

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 2014

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		
2014		
Borrowings from financial institutions	3,510,540	2.08% – 5.54%
2013		
Borrowings from financial institutions	2,603,503	2.15% – 5.90%
Company		
2014		
Borrowings from financial institutions	3,119,889	2.08% – 2.43%
2013		
Borrowings from financial institutions	1,662,297	2.15% – 2.29%

Interest rate sensitivity

The sensitivity analyses 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 2014 of the Group and Company would decrease/increase by HK$35,108,000 (2013: HK$26,036,000) and HK$31,201,000 (2013: HK$16,624,000), 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.

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.

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For the financial year ended 31 December 2014

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONT'D)

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

(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 detail 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	Total HK$'000
Undiscounted financial assets				
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
Cash and cash equivalents	0.05% – 3.80%	1,448,299	–	1,448,299
Trade and other receivables	–	62,652	–	62,652
As at 31 December 2013		1,510,951	–	1,510,951
Undiscounted financial liabilities				
Trade and other payables	–	450,747	161,653	612,400
Bank borrowings, 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
Trade and other payables	–	273,852	145,394	419,246
Bank borrowing, floating interest rates	2.62% – 7.32%	380,732	2,443,834	2,824,566
Dividend payable	–	439,954	–	439,954
Convertible bonds	3.16%	14,538	1,206,613	1,221,151
As at 31 December 2013		1,115,804	3,795,841	4,911,645
Total undiscounted net financial assets/ (liabilities)				
– at 31 December 2014		(207,648)	(4,292,435)	(4,500,083)
– at 31 December 2013		395,147	(3,795,841)	(3,400,694)

Notes to Financial Statements

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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	Total HK$'000
Undiscounted financial assets				
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
Cash and cash equivalents	0.05% – 3.80%	338,279	–	338,279
Trade and other receivables	–	103,511	–	103,511
As at 31 December 2013		441,790	–	441,790
Undiscounted financial liabilities				
Trade and other payables	–	37,679	–	37,679
Bank borrowings, 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
Trade and other payables	–	27,501	–	27,501
Bank borrowing, floating interest rates	2.62% – 2.94%	287,893	1,502,326	1,790,219
Dividend payable	–	439,954	–	439,954
Convertible bonds	3.16%	14,538	1,206,613	1,221,151
As at 31 December 2013		769,886	2,708,939	3,478,825
Total undiscounted net financial assets/ (liabilities)				
– at 31 December 2014		267,762	(3,880,465)	(3,612,703)
– at 31 December 2013		(328,096)	(2,708,939)	(3,037,035)

31. FAIR VALUE OF ASSETS AND LIABILITIES

Financial instruments not measured at fair value includes 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.

See Note 17 for disclosures of the acquired net assets that are partially measured at fair value.

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

(a) 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).

Notes to Financial Statements

For the financial year ended 31 December 2014

31. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) 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.

(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 24 and 25.

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 regularly 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 2013.

Notes to Financial Statements

For the financial year ended 31 December 2014

32. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

	Group		Company	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Total interest-bearing liabilities	4,247,038	3,668,205	3,856,387	2,726,999
Total equity and total interest-bearing liabilities	13,176,832	11,429,002	8,418,396	5,625,583
Gearing ratio	32%	32%	46%	48%

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

As disclosed in Note 25, 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.

33. SUBSEQUENT EVENTS

On 27 February 2015, the Company proposed to issue Bonus Shares on the basis of one Bonus Share to be credited as fully paid for every twenty existing ordinary shares in the capital of the Company held by shareholders of the Company. The Proposed Bonus issue will be effected by capitalising approximately HK$310,524,000 by way of a transfer from the accumulated profits of the Company to the share capital account of the Company. As at the date of the financial statements, the Proposed Bonus issue has not been completed.

Supplementary Information

1 DIRECTORS' REMUNERATION

Company's directors receiving remuneration from the Group:

	Number of directors 2014	2013
Remuneration of:		
S$500,000 and above	–	–
S$250,000 to below S$500,000	2	1
Below S$250,000	4	5
	6	6

2 NUMBER OF EMPLOYEES

The number of employees in the Group and the Company as at 31 December 2014 were 1,172 (2013: 1,039) and 12 (2013: 14) 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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK$'000	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
China Merchants Properties Development Limited – Disposal of (a) the entire issued ordinary share capital of China Merchants Pacific (NZ) Limited ("CMP(NZ)") and (b) the shareholder's loan made by the Company to CMP(NZ) (as reflected in the unaudited management accounts of CMP(NZ) as at 31 March 2013)	356,052	–
Chongqing Zhixiang Paving Technology Engineering Co., Ltd – Major road and bridge upgrading contract in relation to the Beilun Port Expressway	301,359	–
China Merchants Chongqing Communications Research and Design Institute Co., Ltd and its subsidiary – Major road and bridge upgrading contract in relation to the Yongtaiwen Expressway and Guihuang Highway	14,767	–
CIESCO (Singapore) Pte Ltd – Rental and related expenses in relation to shared office premises	657	–
	672,835	–

Supplementary Information

4 GROUP PROPERTIES

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

Location	Land area	Tenure	Use
Wenzhou, Zhejiang 新城大道, 發展大廈 Level 18 to 19 China	2,690 sq. metres	Lease expiring on 1 December 2033	Office
Wenzhou, Zhejiang 新城大道, 發展大廈 Base 31 to 37 garage China	329 sq. metres	Lease expiring on 1 February 2034	Parking Lots
Wenzhou, Zhejiang 府東路, 中晨大樓 Room 208 China	112 sq. metres	Lease expiring on 1 October 2035	Canteen
Wenzhou, Zhejiang 府東路, 中晨大樓 Room 209 China	141 sq. metres	Lease expiring on 1 October 2035	Hostel
Wenzhou, Zhejiang 平陽縣昆陽鎮民豐村 清障集散中心 China	1,094 sq. metres	Lease expiring on 1 September 2030	Wreakage rescue
Ruichang, Jiangxi 江西省瑞昌市(瑞昌收費站旁) China	306 sq metres	Lease expiring on 28 March 2022	Parking Lots

(b) The Group's freehold land and building as at 31 December 2013 are as follows:

Location	Description	Approx. site area (sq.m.)	Built-up area area (sq.m.)	Tenure
246 Bush Road, Auckland, New Zealand	Land with single level office premises and 37 car parking lots	4,045	1,048	Freehold title

The above freehold land and building relates to the discontinued operations, which had since been disposed on 16 April 2014.

Supplementary Information

(c) Details of the Group's development properties are as follows:

As at 31 December 2013	HK$'000	Particulars
(i) Land held for development or under development	90,868	Comprising 167 undeveloped sites of average costs of HK$542,000 (NZ$85,000) with an average of 403 square metres per unit section
(ii) Land developed	275,083	Comprising 268 developed sites of average costs of HK$1,027,000 (NZ$161,000) with an average of 334 square metres per unit section
(iii) House construction work-in-progress	88,884	Comprising 100 houses under construction (due to be fully completed by July 2014) with an average house size of 171 square metres
(iv) Completed houses	9,465	Comprising 6 completed houses with an average house size of 150 square metres.
	464,300	

The above development properties relate to the discontinued operations, which had since been disposed on 16 April 2014.

Statistics of Shareholders

As at 20 March 2015

Number of Shares	:	1,064,557,405
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	13	0.20	178	0.00
100 – 1,000	1,196	18.57	940,189	0.09
1,001 – 10,000	4,034	62.63	17,520,773	1.65
10,001 – 1,000,000	1,178	18.29	58,660,095	5.51
1,000,001 & above	20	0.31	987,436,170	92.75
TOTAL	6,441	100.00	1,064,557,405	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	EASTON OVERSEAS LIMITED	532,614,000	50.03
2.	DBS NOMINEES (PRIVATE) LIMITED*	224,673,781	21.10
3.	UOB KAY HIAN PRIVATE LIMITED	125,942,687	11.83
4.	HSBC (SINGAPORE) NOMINEES PTE LTD	36,239,103	3.40
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	14,137,534	1.33
6.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,615,690	0.90
7.	RAFFLES NOMINEES (PTE) LIMITED	8,286,534	0.78
8.	CHOO PIANG WONG	6,100,000	0.57
9.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,432,926	0.51
10.	DBSN SERVICES PTE. LTD.	3,739,164	0.35
11.	GOH LAY HWA	2,845,718	0.27
12.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,822,300	0.27
13.	PHILLIP SECURITIES PTE LTD	2,733,700	0.26
14.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,303,750	0.22
15.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	2,267,558	0.21
16.	OCBC SECURITIES PRIVATE LIMITED	2,124,000	0.20
17.	PEH THIAM CHYE	1,800,000	0.17
18.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,434,025	0.13
19.	MERRILL LYNCH (SINGAPORE) PTE LTD	1,243,700	0.12
20.	YAP LI JUN	1,080,000	0.10
		987,436,170	92.75

* A total of 195,781,000 ordinary shares held by Easton Overseas Limited are registered in the name of DBS Nominees (Private) Limited.

Statistics of Shareholders

As at 20 March 2015

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	728,395,000	–	728,395,000	68.42
China Merchants Group Limited	–	728,395,000	728,395,000	68.42
China Merchants Huajian Highway Investment Co., Ltd	–	728,395,000	728,395,000	68.42
Cornerstone Holdings Limited	–	728,395,000	728,395,000	68.42
Hongda International Asset Management Limited	101,774,987	–	101,774,987	9.56
Liu Qiang	–	101,774,987	101,774,987	9.56
Hongda International Investment Limited	–	101,774,987	101,774,987	9.56

Notes: (1) A total of 195,781,000 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 21.87%. 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 Convention & Exhibition Centre, Room 326 Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593 on 30 April 2015 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2014 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 2014 (previous year: 4.25 Singapore cents per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 98 of the Articles of Association of the Company:

   Mr Luo Hui Lai **(Resolution 3)**
   Mr Zheng Hai Jun **(Resolution 4)**

4. To re-appoint the following Directors of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:

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

   [See Explanatory Note (i)]

   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 2014 (previous year: S$125,000.00). **(Resolution 7)**

6. To re-appoint Messrs 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.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue new shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("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

(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 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 (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 shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (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 shall be based on the total number of issued shares in the capital of the Company 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 Articles of Association of the Company; and

Notice of Annual General Meeting

(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 (ii)]

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company 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 ordinary shares to be allotted and 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 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 (iii)]

By Order of the Board

Lim Lay Hoon
Lynn Wan Tiew Leng
Company Secretaries
Singapore, 15 April 2015

Explanatory Notes:

(i) The effect of the Ordinary Resolutions 5 and 6 is to re-appoint Directors of the Company who are over 70 years of age.

(ii) 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 varied or revoked 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, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed 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 when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notice of Annual General Meeting

(iii) 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 varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company 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 from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy 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 Annual General 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing 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), 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) 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.

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CHINA MERCHANTS HOLDINGS (PACIFIC) LIMITED
[Company Registration No. 198101278D]
(Incorporated In The Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy China Merchants Holdings (Pacific) Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 30 April 2015 at 4.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2	Payment of proposed final dividend		
3	Re-election of Mr Luo Hui Lai as a Director		
4	Re-election of Mr Zheng Hai Jun 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 Messrs Mazars LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue shares under the CMHP Share Option Scheme 2002		

Dated this ________ day of ____________________ 2015

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

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 130A of the Companies Act, Chapter 50 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 and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, that member shall specify the proportion of his/her shareholding to be represented by each such proxy, failing which the nomination shall be deemed to be in the alternative.

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 the 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 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 be lodged with the instrument.

7. A corporation which is a member 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.

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. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 15 April 2015.

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

Co. Reg. No. 198101278D

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