招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED
Stock Code 股份代號：00144

WE CONNECT THE WORLD

2022
INTERIM REPORT
中期報告

30th
1992—2022
30th Anniversary of CMPort's IPO
SEHK Stock Code: 00144

CONTENTS
目錄

Corporate Information

BOARD OF DIRECTORS

Mr. Deng Renjie[2] (*Chairman*)
(redesignated on 2 September 2022)
Mr. Wang Xiufeng[1] *(Vice Chairman and Chief Executive Officer)*
Mr. Yim Kong[1] (*Vice Chairman*)
(redesignated on 22 June 2022)
Mr. Liu Weiwu[2]
(redesignated on 2 September 2022)
Mr. Deng Weidong[2]
(redesignated on 2 September 2022)
Mr. Yang Guolin[1]
(appointed on 22 June 2022)
Mr. Xu Song[1] *(Managing Director)*
(appointed on 22 June 2022)
Mr. Wang Zhixian[1]
(resigned on 22 June 2022)
Mr. Kut Ying Hay[3]
Mr. Lee Yip Wah Peter[3]
Mr. Li Ka Fai David[3]
Mr. Bong Shu Ying Francis[3]
Ms. Wong Pui Wah[3]
(appointed on 2 September 2022)

AUDIT COMMITTEE

Mr. Lee Yip Wah Peter[3] *(Chairman)*
Mr. Kut Ying Hay[3]
Mr. Li Ka Fai David[3]
Mr. Bong Shu Ying Francis[3]

NOMINATION COMMITTEE

Mr. Kut Ying Hay[3] *(Chairman)*
Mr. Wang Xiufeng[1]
Mr. Lee Yip Wah Peter[3]
Mr. Li Ka Fai David[3]
Mr. Bong Shu Ying Francis[3]

REMUNERATION COMMITTEE

Mr. Li Ka Fai David[3] *(Chairman)*
Mr. Wang Xiufeng[1]
Mr. Kut Ying Hay[3]
Mr. Lee Yip Wah Peter[3]
Mr. Bong Shu Ying Francis[3]

1. Executive Director
2. Non-executive Director
3. Independent Non-executive Director

REGISTERED OFFICE

38th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Merchants Bank
Industrial and Commercial Bank of China
DBS Bank Ltd.

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISER

Linklaters

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17^{th} Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

WEBSITE

http://www.cmport.com.hk

Financial Highlights

	For the six months ended 30 June 2022 HK$'million	2021 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**6,508**	5,663	14.9%
Profit attributable to equity holders of the Company	**4,825**	4,711	2.4%
Non-recurrent losses/(gains), net of tax[1]	**149**	(181)	(182.3%)
Recurrent profit	**4,974**	4,530	9.8%
Earnings per share (HK cents)			
Basic	**127.48**	128.67	(0.9%)
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	—
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**3,837**	4,237	(9.4%)

	30 June 2022 HK$'million	31 December 2021 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	**176,419**	178,690	(1.3%)
Capital and reserves attributable to equity holders of the Company	**96,640**	98,262	(1.7%)
Net interest-bearing debts and lease liabilities[2]	**27,248**	27,728	(1.7%)

	For the six months ended 30 June 2022 HK$'million	2021 HK$'million	Year-on-year changes
Revenue			
Ports operation	**6,172**	5,313	16.2%
Bonded logistics operation	**254**	246	3.3%
Other operations	**82**	104	(21.2%)
Total	**6,508**	5,663	14.9%
EBITDA[3]			
Ports operation	**3,753**	3,334	12.6%
Bonded logistics operation	**114**	131	(13.0%)
Other operations	**37**	60	(38.3%)
EBITDA	**3,904**	3,525	10.8%
Share of profits less losses of associates and joint ventures	**5,036**	4,206	19.7%
Non-recurrent losses	**(169)**	(32)	428.1%
Corporate function	**(567)**	(127)	346.5%
Finance costs, net	**(808)**	(655)	23.4%
Taxation	**(626)**	(527)	18.8%
Depreciation and amortisation	**(1,209)**	(1,116)	8.3%
Non-controlling interests and holders of perpetual capital securities	**(736)**	(563)	30.7%
Profit attributable to equity holders of the Company	**4,825**	4,711	2.4%

1 For 2022, include loss on deemed disposal of partial interest in an associate, net of tax of HK$3 million, net changes in fair value of investment properties, net of tax of HK$4 million, and net changes in fair value of financial assets at fair value through profit or loss, net of tax of HK$150 million. For 2021, include gain on deemed disposal of a subsidiary, net of tax of HK$16 million, gain on deemed disposal of partial interest in an associate, net of tax of HK$450 million, net changes in fair value of investment properties, net of tax of HK$2 million, and net changes in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$287 million.

2 Total interest-bearing debts and lease liabilities less cash and bank balances.

3 Earnings of the Company and its subsidiaries before financial costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, non-recurrent losses, corporate function, profit attributable to non-controlling interests and holders of perpetual capital securities.

Management Discussion and Analysis

GENERAL OVERVIEW

In the first half of 2022, the frequent occurrence of "black swan events" such as the recurrence of the global COVID-19 pandemic and the Russia-Ukraine conflict, the shrinking consumption demand under the pressure of global "stagflation", the heightening debt crisis in the emerging markets and other factors posed more uncertainties on the global macro economy and trade, and negatively affected global economic recovery. The increasingly severe geopolitical risks accelerated the restructuring of global supply chains and industrial chains, which disrupted the growth of the trade in commodity and services. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in July 2022, the global economy in 2022 was expected to grow by 3.2%, representing a decrease of 2.9 percentage points year-on-year. Among that, developed economies were projected to grow by 2.5%, while emerging markets and developing economies were expected to grow by 3.6%, down by 2.7 percentage points and 3.2 percentage points year-on-year, respectively. Besides, according to the forecast of the World Trade Organisation in April 2022, global trade would increase by 3% in 2022, down by 1.7 percentage points as compared to the previous forecast, attributable to the medium to long term impact from the Russia-Ukraine conflict which has interfered with the progress of overall economic recovery.

In the first half of 2022, China's macro economy achieved steady growth as a whole. According to the National Bureau of Statistics of China, the GDP of China was RMB56.26 trillion in the first half of 2022, up by 2.5% year-on-year at constant prices. On the other hand, under the increasingly complex and critical situation of foreign trade development, China adhered to the principle of seeking progress while maintaining stability. A package of economic stabilisation policies and measures launched during the year began to achieve results, which has further enhanced foreign trade and logistics and comprehensively expedited the resumption of work and production of enterprises. As such, the foreign trade was expected to maintain its stable growth momentum continuously. According to the statistics published by the General Administration of Customs of China, the total value of foreign trade of import and export of China amounted to RMB19.8 trillion in the first half of 2022, representing a year-on-year increase of 9.4%, among which the export value was RMB11.14 trillion, up by 13.2% year-on-year, and the import value was RMB8.66 trillion, up by 4.8% year-on-year. The trade surplus was RMB2.48 trillion.

In the first half of 2022, with the alleviation of periodic problems such as the supply chain imbalance and port congestion in the maritime market, a considerable number of shipbuilding orders were successively delivered as scheduled, thereby releasing the globally effective shipping capacity from the supply side. However, at the same time, the pandemic and the Russia-Ukraine conflict led to the global economic slowdown and inflation, an upsurge in global debt levels and a plunge in consumption demand. In addition, the commodities ordered during the previous year have not been fully consumed in European and American countries. The large number of inventories reduced the procurement demand during the year, resulting in a falling demand in the maritime industry, with the freight rate in the international market on a downward trajectory. According to the "Drewry World Container Index", as of 30 June 2022, the freight rate index amounted to 7,066.03 points, representing a decrease of 15.9% year-on-year.

Under the increasingly complex and critical internal and external environment, the growth of the global ports industry slowed down in the first half of 2022. In China, the waterway channels of major ports across the country were accessible and highly efficient with steady and orderly operation, while key indicators have been steadily improving. According to the data published by the Ministry of Transport of China, the accumulated container throughput handled by ports in Mainland China reached 142.31 million TEUs in the first half of 2022, representing an increase of 3% year-on-year, of which, 125.62 million TEUs were handled by coastal ports, representing a year-on-year increase of 3%.

During the first half of 2022, the Group's ports handled a total container throughput of 66.28 million TEUs, down by 0.3% as compared with the corresponding period last year, and bulk cargo volume of 269 million tonnes, down by 5.3% from the corresponding period of previous year. For the six months ended 30 June 2022, the Group's revenue amounted to HK$6,508 million, representing a year-on-year increase of 14.9%. Profits attributable to equity holders of the Company amounted to HK$4,825 million, representing a year-on-year increase of 2.4%.

BUSINESS REVIEW

Ports operation

In the first half of 2022, the Group's ports handled a total container throughput of 66.28 million TEUs, down by 0.3% year-on-year. Among them, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 49.39 million TEUs, representing a decrease of 1.0% year-on-year, which was mainly due to the ongoing impact of the recurring pandemic during the period. The Group's overseas ports handled a total container throughput of 16.89 million TEUs, representing an increase of 1.5% year-on-year, which was mainly contributed from Terminal Link SAS ("**Terminal Link**") and the growth in throughput volume of controlled overseas terminals of the Group, including Colombo International Container Terminal Limited ("**CICT**") in Sri Lanka and TCP Participações S.A. ("**TCP**") in Brazil. Bulk cargo volume handled by the Group's ports decreased by 5.3% year-on-year to 269 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 266 million tonnes, representing a decrease of 5.2% year-on-year, which was mainly due to the impact of the unstable pandemic situation in various regions.

The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2022 is as below:

Container Terminals	For the six months ended 30 June 2022 thousand TEUs	2021 thousand TEUs	Year-on-year Changes
Mainland China, Hong Kong and Taiwan	**49,391**	49,873	(1.0%)
Pearl River Delta region	**9,117**	9,372	(2.7%)
West Shenzhen Port Zone	**5,983**	5,786	3.4%
China Merchants Container Services Limited and Modern Terminals Limited	**2,501**	2,817	(11.2%)
Chu Kong River Trade Terminal Co., Limited	**423**	547	(22.7%)
Guangdong Yide Port Limited	**210**	222	(5.4%)
Yangtze River Delta region	**24,273**	24,636	(1.5%)
Shanghai International Port (Group) Co., Ltd.	**22,546**	22,939	(1.7%)
Ningbo Daxie China Merchants International Terminals Co., Ltd.	**1,727**	1,697	1.8%
Bohai Rim region	**13,436**	13,295	1.1%
Liaoning Port Co., Ltd.	**4,685**	4,645	0.9%
Qingdao Qianwan United Container Terminal Co., Ltd.	**4,432**	4,184	5.9%
Tianjin Port Container Terminal Co., Ltd.	**4,319**	4,466	(3.3%)
Others	**2,565**	2,570	(0.2%)
Zhanjiang Port (Group) Co., Ltd.	**589**	578	1.9%
Zhangzhou China Merchants Port Co., Ltd.	**136**	119	14.3%
Shantou China Merchants Port Group Co., Ltd.	**744**	923	(19.4%)
Kao Ming Container Terminal Corp.	**1,096**	950	15.4%
Other locations	**16,887**	16,632	1.5%
Colombo International Container Terminals Limited	**1,617**	1,501	7.7%
Lomé Container Terminal S.A.	**716**	732	(2.2%)
Tin-Can Island Container Terminal Ltd.	**136**	147	(7.5%)
Port de Djibouti S.A.	**303**	351	(13.7%)
TCP Participações S.A.	**562**	539	4.3%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	**613**	618	(0.8%)
Terminal Link SAS	**12,940**	12,744	1.5%
Total	**66,278**	66,505	(0.3%)

Pearl River Delta region

The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 5.98 million TEUs, up by 3.4% year-on-year, which was mainly driven by the effective control of the pandemic during the period and the increase in shipping routes as compared with the corresponding period last year; and handled a bulk cargo volume of 3.99 million tonnes, down by 2.5% year-on-year. Guangdong Yide Port Limited handled a container throughput of 0.21 million TEUs, down by 5.4% year-on-year; and handled a bulk cargo volume of 2.92 million tonnes, representing an increase of 12.4% year-on-year, which was mainly attributed to the business volume driven by the increase in demand for steel and new customers. During the period, affected by the pandemic, the port business volume showed a higher volatility. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 0.42 million TEUs, down by 22.7% year-on-year; and handled a bulk cargo volume of 1.83 million tonnes, representing an increase of 29.4% year-on-year, which was benefitted from the adjustment of the business structure. China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 2.50 million TEUs, down by 11.2% year-on-year, which was mainly due to increasingly stringent pandemic prevention and control measures implemented in the ports as a result of the severe local pandemic situations.

Yangtze River Delta region

Affected by the pandemic in April and May 2022, Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 22.55 million TEUs, down by 1.7% year-on-year; and handled a bulk cargo volume of 30.11 million tonnes, representing a decrease of 32.5% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.73 million TEUs, up by 1.8% year-on-year.

Bohai Rim region

In the first half of 2022, Liaoning Port Company Limited handled a container throughput of 4.69 million TEUs, up by 0.9% year-on-year; and handled a bulk cargo volume of 127.62 million tonnes, down by 1.6% year-on-year. Benefitted from the increase in international and domestic shipping routes, Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 4.43 million TEUs, representing an increase of 5.9% year-on-year; Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 8.63 million tonnes, down by 5.8% year-on-year. Owing to the business growth in the iron ore market, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 38.66 million tonnes, up by 14.6% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 4.32 million TEUs, representing a decrease of 3.3% year-on-year.

South-East region of Mainland China

As the domestic shipping routes were affected by the pandemic, Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.74 million TEUs, down by 19.4% year-on-year; and handled a bulk cargo volume of 1.51 million tonnes, down by 6.6% year-on-year. Benefitting from the increase in business volume due to further exploration of laden box sources in the hinterland, Zhangzhou China Merchants Port Co., Ltd., located in the Xiamen Bay Economic Zone, handled a container throughput of 0.14 million TEUs, increased by 14.3% year-on-year, and handled a bulk cargo volume of 4.39 million tonnes, up by 1.9% year-on-year. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 3.22 million tonnes, up by 34.8% year-on-year, which was mainly attributable to the stable supply of sandstone due to the newly added production capacity of sandstone processing enterprises in the hinterland.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.59 million TEUs, up by 1.9% year-on-year; and handled a bulk cargo volume of 43.12 million tonnes, down by 8.3% year-on-year, which was mainly affected by the price inversion of domestic and foreign coal trade as well as the rising raw material prices.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung, Taiwan handled a total container throughput of 1.10 million TEUs, representing an increase of 15.4% year-on-year, which was mainly because containers from ports in Taiwan were diverted to and handled by the terminal.

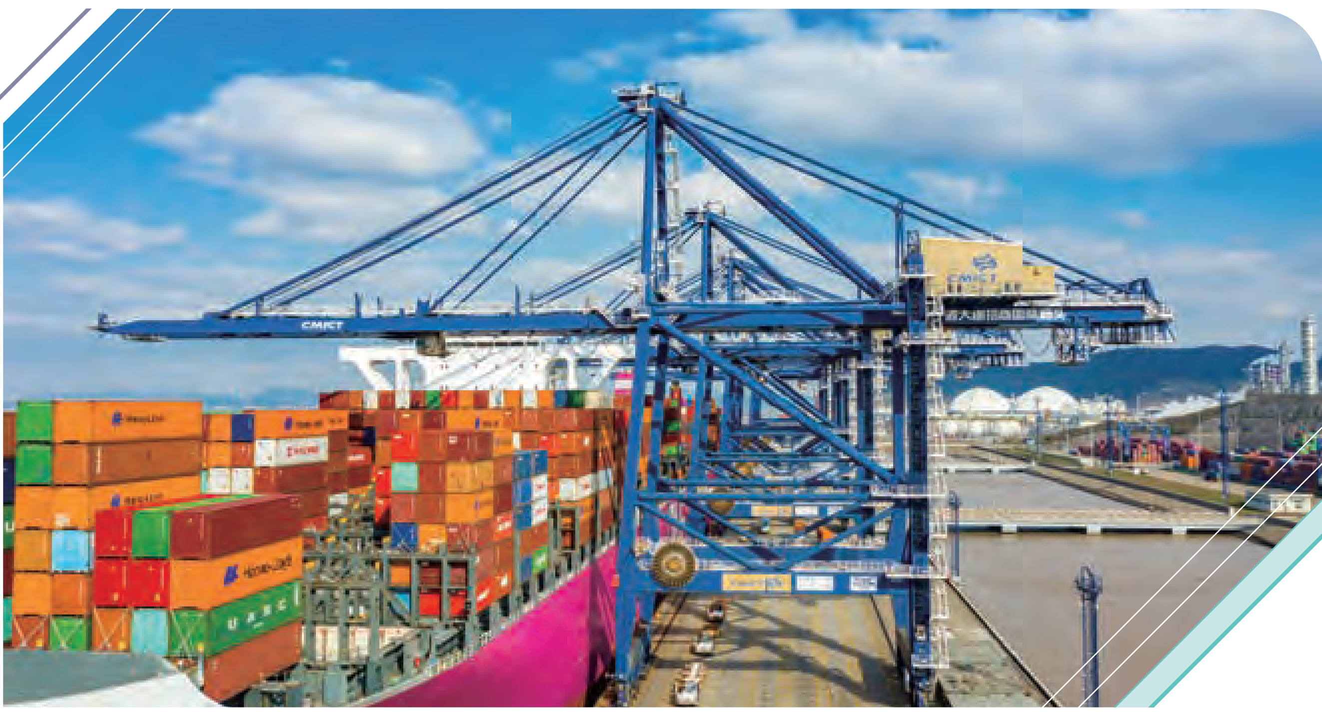
Overseas operation

During the first half of 2022, a total container throughput handled by the Group's overseas projects increased by 1.5% year-on-year to 16.89 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 1.62 million TEUs, up by 7.7% year-on-year, which was mainly benefitted from the increase in transshipment box volume. Hambantota International Port Group (Private) Limited ("**HIPG**") handled a bulk cargo volume of 0.79 million tonnes, decreased by 0.1% year-on-year; and its RORO terminal handled 0.266 million vehicles, down by 5.2% year-on-year. Benefitted from the gradual economic recovery in Brazil and the newly added shipping routes, TCP in Brazil handled a container throughput of 0.56 million TEUs, up by 4.3% year-on-year. Container throughput handled by Lomé Container Terminal S.A. in Togo decreased by 2.2% year-on-year to 0.72 million TEUs, which was mainly due to the regional impact of shipping routes under the pandemic. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.14 million TEUs, representing a decrease of 7.5% year-on-year, which was mainly because the import was affected by the depreciation of Naira. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.30 million TEUs, down by 13.7% year-on-year; and handled a bulk cargo volume of 2.38 million tonnes, down by 8.4% year-on-year, which was mainly affected by the continuing pandemic in its hinterland Ethiopia, resulting in weak economic growth. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.61 million TEUs, representing a decrease of 0.8% year-on-year; while bulk cargo volume handled was 0.04 million tonnes, down by 54.2% year-on-year, mainly due to the fluctuations in local exchange rates, which had certain impact on Turkey's construction industry. Terminal Link handled a container throughput of 12.94 million TEUs, up by 1.5% year-on-year.

Strategic deployments in the ports operation

In the first half of 2022, the Group adapted to the new environment and adopted the new operating philosophy. In pursuit of "endogenous growth" and "innovation and transformation", it steadily supported world-class and high-quality construction and delivered the following operational outcomes in seven key aspects, namely the development of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management, as well as marketing and commerce.

There are three highlights of the Group's business operation. First of all, the Group achieved steady growth in the container business at the West Shenzhen homebase port and its efforts in technology empowerment met initial success amidst the recurrence of the pandemic in the first half of 2022. Leveraging its position as a major international hub port, the West Shenzhen Port Zone established the "Global Fruit & Vegetables Inbound Digital Trade Center" to offer efficient, convenient and standardised platform services throughout the whole process of online transactions for fruit and vegetable customers at the port, which continuously facilitated its development into the largest gateway port for fruit in Southern China. Secondly, the Group always attached great importance to and strictly complied with anti-epidemic requirements. The Group applied a scientific approach to the recurrence of pandemic and emphasised the importance of maintaining "solid pandemic prevention and control measures, well-organised anti-pandemic procedures on production and operation". During the Shenzhen outbreak in March 2022, the West Shenzhen homebase port responded with scientific and targeted measures in a balanced, holistic and precise manner. Meanwhile, the Group also actively provided supplies and assistance to Hong Kong in support of the fight against COVID-19, and strived to facilitate goods supply to Hong Kong in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") and ensure stable and smooth ports operation of the cargo transportation and logistics supply chain. Currently, the West Shenzhen homebase port had become the port of the shortest distance and time of transport, the highest frequency of shipping and the largest transportation capacity from Shenzhen to Hong Kong. Thirdly, the Group devoted substantial efforts to smart port construction with a focus on nine major intelligent elements, namely the "CMCore", "CM ePort", automation technology, intelligent customs, 5G applications, blockchain, Beidou system, artificial intelligence



application, and green and low-carbon development in order to establish the "Mawan Smart Port", which was the first 5G green and low carbon smart port in the Greater Bay Area. Following the launch of 38 unmanned 5G container trucks for terminal operation, the Group formed the largest fleet of unmanned container trucks at sole terminal nationwide and worldwide. The Mawan Smart Port became China's first demonstration project for "5G+ intelligent unmanned container trucks application". The "CMCore" operating system ended the monopoly of foreign software in the field of terminal operation and management system and successfully realised promotion and application at domestic and overseas terminals, representing a breakthrough of China's port system. The Mawan Smart Port is an exemplar for transforming traditional terminals into more efficient, safer and greener unmanned smart terminals. The Group embarked a new journey of building up the ports equipped with technologies and formed a comprehensive smart port solutions with "China Merchants characteristics". In the first year of operation, the Mawan Smart Port received 3,710 vessels, and its container throughput reached 1 million TEUs with 28 new shipping routes.

As for homebase port construction, the Group adhered to the strategic objective of "building world-class leading ports" to further improve the comprehensive competitiveness of the West Shenzhen homebase port as a world-class port and strengthen the position of the overseas homebase port in Sri Lanka as the key hub in South Asia, so as to advance the development of leading ports. The West Shenzhen Port Zone comprehensively enhanced its overall competitiveness by offering better customer services, expanding ancillary and value-added services, strengthening the foundation of management, and optimising resource allocation. The first half of 2022 marked the first anniversary since the Mawan Smart Port was officially put into operation, which continued to strengthen the core competitiveness of the West Shenzhen Port Zone through efficient and smart operations. Meanwhile, the Group accelerated the development of coordinated ports in the Greater Bay Area by its "Coordinated Ports Model" covering the river ports in the Pearl River Delta region from the centre of the West Shenzhen Port Zone, and aimed to establish multimodal transport channels in the Greater Bay Area, so as to realise the free flow of foreign trade goods among port clusters in the area. During the period, the Group set up 20 coordinated ports to aid the smooth and stable operation of the logistics, industry and supply chains. The "Coordinated Ports Model" not only increased logistics efficiency, but also reduced transportation costs. Accordingly, the time required for water-to-water transhipment of imported and exported containers was reduced by 60% from 5-7 days to 2 days, which helped the cargo owner to save approximately 30% of the customs costs. The Group maintained the safety and orderly inflow and outflow of commodities and resources by offering services to domestic and foreign trades, and fully participated and adapted to the new development featuring "the dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay". Looking forward, the West Shenzhen homebase port will facilitate the construction of the cargo transportation system and the green logistics ecosystem to boost the efficiency in customs clearance, and further expand navigation, cargo transportation and logistics capabilities. In terms of the overseas homebase ports, the Group will continuously upgrade the integrated operation and management of HIPG and CICT, and promote the coordinated development of these two ports to support the comprehensive development of major projects, thereby strengthening its regional competitiveness and influence in all respects.

Regarding overseas business, the Group kept abreast of changes in the global economy and trade environment and stayed in line with the trends in the port and shipping logistics industry. Capitalising on the Djibouti Port and the Djibouti International Free Trade Zone, the Group integrated the warehousing resources in existing ports and extended the "end-to-end" port services to build up the new whole-process logistics model of "express sea and air freight between China and Africa" which explored the whole logistics solution with direct access to cargo owners and offered better comprehensive logistics solutions to customers. To ensure the stable operation of overseas businesses, the Group optimised the overseas project control procedures, refined the overseas project management system, and improved the operating quality and efficiency of overseas terminals.

In terms of innovative development, the Group implemented the innovation strategic plan. Taking into account the development needs of the industry and the trend of technological advancement, the Group promoted the digitalisation transformation and smart upgrade of ports through the "CMCore" and "CM ePort". As the leading technology for port operation systems, the "CMCore" comprised the Container Terminal Operation System (CTOS), the Bulk Cargo Terminal Operation System (BTOS) and the Logistic Park Operation System (LPOS). The "CMCore" was fully adopted at domestic and overseas terminals controlled by the Group to enhance the core competitiveness of modern ports in an all-round manner. On the other hand, the "CM ePort" is a comprehensive digital service platform for the port and shipping logistics industry that was developed based on the Group's global ports network, and integrated the container ports, shipping, logistics and third-party e-commerce platforms to offer smart logistics, smart customs as well as smart financial and commerce services. The "CM ePort" aimed at building a smart port ecosystem and facilitating transactions among logistics parties on the platform to increase operational efficiency, introduce new port services and develop innovative port business models. Currently, the Group has commenced a pilot program of "CM ePort" in the West Shenzhen homebase port to explore new service models for cargo owners by the online platform of container truck assistant service. In June 2022, the Group launched the CTOS system at the Thessaloniki Port in Greece, which covered more than 60 operating procedures and over 20 transaction types at the port. In addition, the Smart Management Platform ("**SMP**") was officially deployed as the Group's digital management portal in April 2022.

With respect to comprehensive development, the Group was committed to optimising the global network layout and the business synergies for overseas projects, while intensely pushing forward the "Port-Park-City" model for overseas business. During the period, the promotion of induction of business and investment for overseas logistic parks continued to progress steadily despite the adverse impact of the continuous spread of the pandemic. 37 contracted enterprises moved into the HIPG industrial zone. The Group also secured the project with INSEE, which was the largest cement manufacturer of Sri Lanka in terms of production scale. As a result, the Group gradually formed the 6+N industry layout comprising home appliances, electronics and electrical appliances, rubber tyres, new energy vehicles, new materials, and textile and garment, and other industries. 237 contracted enterprises moved into the Djibouti International Free Trade Zone. The Group partnered with Liaocheng in Shandong to establish the Djibouti Liaocheng Product Distribution Centre and the Djibouti "Made by Liaocheng" Online and Offline Product Showcase Centre for Cross-border E-commerce, which supported the steady growth in foreign trade business of domestic enterprises and strengthened the momentum to the industry ecosystem at the Djibouti Port and the Djibouti International Free Trade Zone.

As for operation management, the Group continued to implement its strategy towards "empowerment, professionalism and value". Based on the five core elements of "management standard, teams of experts, closed-loop procedure, information system and benchmarking enhancement", the Group comprehensively promoted the construction of the "Digital CM Port". In the first half of the year, the Group launched the SMP platform which combined the management systems for the business process and information sharing module to form an integrated platform covering the whole process, all scenarios and entire system of the business. Hence, the Group could achieve full digital management of the business process. For the intelligent analysis and decision-making supporting module, the Group presented and analysed core business data globally to create the one-stop operational dashboard for decision-making, management and execution purposes, which facilitated management decision-making. Combining the top-level design and the iterative development model, the SMP platform encouraged changes in operating and management practices, models and philosophy driven by digital technology and the use of intelligent tools.

Regarding capital operation, the Group focused on improving asset quality and structure. In March 2022, the Group completed the acquisition of 14.6% equity interests in Asia Airfreight Terminal Company Limited ("**AAT**") to 34.6%. AAT was one of the three air cargo terminal concessionaires franchise awarded by the Airport Authority Hong Kong. Hence, the increase in shareholding in AAT helped create synergies among the Group's terminal operation, bonded warehousing and Hong Kong Airport businesses. It also provided more room for growth for the Group's airport business and facilitated the development of the logistics and supply chain in the Greater Bay Area. In April 2022, the Group acquired an aggregate of 329 million shares of SIPG. Up to 30 June 2022, the Group's shareholding percentage in SIPG went up from 26.64% to 28.05%. The acquisition was made mainly based on the financial performance and the prospects of SIPG, which allowed the Group to utilise the available funds for a return.

In terms of marketing and commerce, the Group continued to cooperate with major shipping companies and strengthened customer relationship management. The Group kept close tabs on the development of the global port and shipping industry, optimised business planning and management, and further improved port operations and cooperation projects. Leveraging the substantial improvement of infrastructure at the Mawan Smart Port and the all-day channel with 200,000-ton capacity, as well as the "Coordinated Port Model" that covered the river ports in the Pearl River Delta region, the Group enhanced marketing and business promotion in the West Shenzhen Port Zone. During the period, the Group introduced new shipping routes and increased its market share in South China.

Bonded logistics operation

In the first half of 2022, the Group's bonded logistics business continued to pursue the development direction of diversifying integrated services and enhanced the utilisation rate of resources at existing warehouses and yards, so as to respond to market changes and the unstable situation under the pandemic. The average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen reached 99%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. fully utilised its resources to develop the self-operated business and its average utilisation rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 71% of its warehouses. In the Djibouti International Free Trade Zone, the average utilisation rate of the bonded warehouse, which the Group invested in, was 100%, and for the wholly-owned bonded warehouse of the Group, it recorded an average utilisation rate of 90%.

In the first half of 2022, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.80 million tonnes, down by 9.2% year-on-year. AAT, which is an associate of the Group, handled a total cargo volume of 0.37 million tonnes, representing a decrease of 10.2% year-on-year and a market share of 20.7%, down by 0.2 percentage point as compared with the corresponding period last year.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group recorded revenue of HK$6,508 million, up 14.9% year-on-year, which was mainly due to the increase in both the business volume and tariff of ports operation. Profits attributable to equity holders of the Company amounted to HK$4,825 million, representing an increase of 2.4% year-on-year, while the amount of the corresponding period of last year included a gain of HK$450 million (net of tax) on the Group's deemed disposal of partial interest in an associate. The recurrent profit [Note1] increased by 9.8% year-on-year to HK$4,974 million, which was due to the combined effect of the increase in revenue and increase in share of profits of associates of the Group.

Total assets of the Group slightly decreased by 1.3% from HK$178,690 million as at 31 December 2021 to HK$176,419 million as at 30 June 2022. The total liabilities of the Group slightly decreased by 0.4% from HK$53,892 million as at 31 December 2021 to HK$53,650 million as at 30 June 2022. As at 30 June 2022, net assets attributable to equity holders of the Company was HK$96,640 million, slightly down by 1.7% as compared to that as at 31 December 2021. This was mainly attributed to the losses on translation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar or Brazilian Real and any exchange difference so arising from retranslation of these financial statements has been recognised in the reserve of the Group. The Group has developed a sound foreign exchange rate risk management mechanism to prevent the impact arising from foreign exchange rate fluctuation on the Group, and thus maintaining foreign exchange risk at a manageable level.

In general, the Group's ports operation continued to yield stable cash inflow. For the six months ended 30 June 2022, the Group's net cash inflow from operating activities amounted to HK$3,837 million, a decrease of 9.4% as compared with the corresponding period of last year, among which, the receipt of cash dividends from associates and joint ventures were HK$716 million, a decrease of 59.5% as compared with corresponding period of last year. Due to the increase in capital expenditure on business acquisitions as compared to the same period last year, the Group's net cash outflow from investment activities increased from HK$1,597 million for the same period last year to HK$1,952 million for the current period. At the same time, in June 2022, the Group issued the US$500 million guaranteed listed notes maturing in 2027, the Group's net cash outflow from financing activities decreased from HK$6,183 million for the same period last year to HK$2,717 million for the current period.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2022, the Group had approximately HK$8,855 million in cash and bank balances, 2.5% of which was denominated in Hong Kong dollar, 17.2% in United States dollar, 60.4% in Renminbi, 10.9% in Euro, 8.0% in Brazilian Real and 1.0% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK$3,837 million in total.

During the period, the Group incurred capital expenditure amounting to HK$517 million, while the Group adopted a prudent financial policy and maintained a sound financial position. In addition, as a significant portion of the Group's bank loans were medium-term to long-term loans, the Group, supported by adequate undrawn bilateral bank facilities of HK$24,901 million, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent losses/gains after tax. Non-recurrent losses/gains include: for the first half of 2022, net changes in fair value of financial assets at fair value through profit or loss, net changes in fair value of investment properties and loss on deemed disposal of partial interest in an associate; while for the first half of 2021, net changes in fair value of financial assets and liabilities at fair value through profit or loss, net changes in fair value of investment properties, gain on deemed disposal of a subsidiary and gain on deemed disposal of partial interest in an associate.

SHARE CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2022, the Company had 3,785,619,729 shares in issue. In July 2022, the Company issued 152,649,783 shares under the Company's scrip dividend scheme.

As at 30 June 2022, the Group's net gearing ratio [Note 2] was approximately 22.2%.

The Group had aggregate bank loans, listed notes payable and perpetual capital securities of HK$23,298 million as at 30 June 2022 that contain customary cross default provisions.

As at 30 June 2022, the Group's outstanding bank and other borrowings amounted to HK$35,085 million (as at 31 December 2021: HK$36,782 million). The analysis is as below:

	30 June 2022 HK$'million	31 December 2021 HK$'million
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	**7,730**	5,730
Between 1 and 2 years	**1,657**	1,169
Between 2 and 5 years	**2,683**	2,866
More than 5 years	**760**	938
	12,830	10,703
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	**59**	61
Between 1 and 2 years	—	820
Between 2 and 5 years	—	31
More than 5 years	**29**	—
	88	912

Note 2 Net interest-bearing debts and lease liabilities divided by total equity.

As at 30 June 2022, the Group's outstanding bank and other borrowings amounted to HK$35,085 million (as at 31 December 2021: HK$36,782 million). The analysis is as below: (continued)

	30 June 2022 HK$'million	31 December 2021 HK$'million
Floating-rate listed notes payable which are repayable:		
In 2022	**446**	411
Fixed-rate listed notes payable which are repayable:		
In 2022	—	3,896
In 2023	**7,050**	6,998
In 2025	**3,915**	3,888
In 2027	**3,909**	—
In 2028	**4,666**	4,633
	19,540	19,415
Fixed-rate unlisted notes payable which are repayable:		
In 2022	—	3,062
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	**59**	77
Between 1 and 2 years	**228**	—
Between 2 and 5 years	—	239
More than 5 years	**143**	145
	430	461
Loan from immediate holding company		
Repayable within 1 year	**1,500**	1,314
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	**251**	504

Note: All loans are unsecured except for the secured bank loans of HK$1,923 million (31 December 2021: HK$2,307 million).

The bank and other borrowings are denominated in the following currencies:

	Bank loans HK$'million	Notes payable HK$'million	Loans from a fellow subsidiary HK$'million	Loan from immediate holding company HK$'million	Loan from a non-controlling equity holder of a subsidiary HK$'million	Total HK$'million
As at 30 June 2022						
HKD & USD	**5,256**	**19,540**	—	—	—	**24,796**
RMB	**6,778**	—	**430**	**1,500**	—	**8,708**
EURO	**555**	—	—	—	**251**	**806**
Brazilian Real	**329**	**446**	—	—	—	**775**
	12,918	**19,986**	**430**	**1,500**	**251**	**35,085**
As at 31 December 2021						
HKD & USD	6,978	19,415	—	—	—	26,393
RMB	3,605	3,062	461	1,314	—	8,442
EURO	780	—	—	—	504	1,284
Brazilian Real	252	411	—	—	—	663
	11,615	22,888	461	1,314	504	36,782

ASSETS CHARGE

As at 30 June 2022, bank loans of HK$631 million (31 December 2021: HK$619 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$334 million (31 December 2021: HK$356 million) and right-of-use assets with carrying value of HK$217 million (31 December 2021: HK$230 million). In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary were pledged to various banks for bank loans of HK$1,292 million (31 December 2021: HK$1,688 million).

CONTINGENT LIABILITIES

Save as disclosed in note 19 to the condensed consolidated interim financial information in this interim report, the Group did not have any other significant contingent liabilities as at 30 June 2022.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this interim report, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the period under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Save as disclosed in this interim report, the Group did not have any other plans for material investments or acquisition of capital assets as at 30 June 2022.

EMPLOYEES AND REMUNERATION

As at 30 June 2022, the Group employed 8,562 fulltime staff, of which 184 worked in Hong Kong, 5,466 worked in Mainland China, and the remaining 2,912 worked overseas. The remuneration paid by the Group during the period amounted to HK$1,126 million, representing 27.4% of the total operating expenses of the Group.

In the first half of 2022, the Group continued to explore effective ways of talent management, and optimised and improved the cultivation, utilisation and incentive mechanisms by implementing a series of initiatives with a view to facilitating growth of talents, making the best use of its talents and bringing their strengths into full performance. Besides, the Group conducted comprehensive talent review and analysis to meet needs of its strategic development, clarify the objectives of its talent planning, optimise the talent structure, and strengthen the orientation towards professional and young talents, so as to support business innovation and transformation. In terms of talent recruitment and appointment, the Group has broadened the vision of selection and employment of talents and enriched the channels of talent recruitment with a focus on recruitment of high-caliber interdisciplinary talents in fields such as strategic development, business innovation and core technologies. We also stimulated the vitality of talents and achieved management enhancement and talent empowerment by improving our market-based talent selection and reserve mechanism. Meanwhile, we had fully implemented the tenure system and contract-based management of managers, thereby realizing full coverage of and solid commitment to such system and management approach with performance of service contracts under specific terms of employment. For talent cultivation, the Group clearly defined the targets of its talent demand to closely tie in with the needs of business development, and implemented a hierarchical and categorised training system based on the types of positions and characteristics of talents. In terms of remuneration and incentives, the Group adhered to the principle of ensuring efficiency while giving consideration to fairness at the same time. With value of position, results performance and level of ability as the core orientation of remuneration, the Group further improved the assessment and evaluation system and enhanced the application of assessment results to further improve the efficiency of resource allocation.

During the period, the complicated global pandemic situation remained grim. The Group took to heart the physical and mental health of the frontline employees from multiple dimensions, including the launch of health management platform for overseas employees of the Group, provision of anti-pandemic supplies, grant of anti-pandemic subsidies, and selection for special awards through appraisal, which not only facilitated the prevention and control of the pandemic, but also fostered a harmonious and warm working environment.

CORPORATE SOCIAL RESPONSIBILITY

Persisting with the philosophy of "lucid waters and lush mountains are invaluable assets (綠水青山就是金山銀山)", the Group strictly implemented the deployment to align with the national policies in relation to energy conservation and environmental protection, strengthen the mind and awareness of the red line for environmental protection, and proactively undertook the proper prevention of climate risks and dual control on energy intensity and total consumption. In addition, the Group solved the outstanding problems arising from environmental pollution by enhancing the foundation and rectifying the weakness, thereby making contributions for steady energy conservation and environmental protection. In active response to the national strategies of "carbon peaking" and "carbon neutrality" and policies of low carbon and energy conservation, the Group devoted great effort in promoting the construction of green and low-carbon ports, and continued to improve the results of energy conservation and emission reduction and its environmental management system. The Group has also stepped up its efforts in environmental protection year by year to enhance the identification of and response to climate risks. Continuing to promote the development of clean and low-carbon energy, the Group advocated the advanced concepts of green and environmental protection and promoted intelligent development so as to make contributions for the goals of "carbon peaking" and "carbon neutrality".

Firstly, the Group strengthened the environmental management by continuously enhancing the top level design of the overall strategies and the development of the organisational leadership system. The Group strengthened the management on the potential risks monitoring of environmental issues in order to effectively perform its environmental responsibilities and continued to strengthen the prevention and treatment of pollution during production and operation, promote recycling and re-use of resources, put more efforts in protection of biodiversity, actively develop the new ecology of a green industry and ports. With regard to conservation of resources, the Group actively followed the national call for the development of the resource-conservation based enterprises, the Group promoted and encouraged water and power saving by employees as well as paperless office in order to integrate the concept of green office into its daily operation. As the Group firmly progressed the management of energy conservation and emission reduction, the West Shenzhen Port Zone received the most prestigious award as one of the first 4-star "China Green Ports (中國綠色港口)" in China. In terms of protection of biodiversity, the Group placed high emphasis on the harmony and symbiosis between enterprises and the ecological and environmental system in the location where they operated, continued to conduct activities of ecological compensation including enhanced breeding and releasing, monitored and protected whales, turtles and grass reserve. For new construction projects, assessments were made in strict compliance with the relevant requirements in terms of site selection and their environmental impacts, the Group aimed to minimise the impacts on the surrounding environment and promote the sustainable development of the marine business. Secondly, the Group identified climate risks. Upholding the guidance concept for typhoon prevention of "prevention-focused, people-oriented, upgraded technology, comprehensive governance", the Group facilitated the establishment of the commanding platform for emergencies, formulated information exchange mechanism with the local meteorological departments leveraging the weather alert system, so as to increase the ability in risk alert and aversion for emergent climate. Thirdly, the Group promoted the development of clean and low-carbon energy. The Group focused its endeavors in expanding the use of clean energy and development of low-carbon technologies, continued to promote innovative energy-saving technologies and products such as distributed photovoltaic power generation, energy-saving lighting renovation, permanent magnet motor, "substitution of fuel powered equipment with electricity-powered equipment" (油改電) and "shore-powered supply for vessels"(船舶岸基供電). As such, the Group not only contributed intelligence and experience for green maritime transportation, but also demonstrated the concept of green, energy-saving and environmental development with concrete actions in a bid to advance the development of green shipping. The Group actively explored the application of "hydrogen" fuel trailers, and introduced the first "demonstration port for hydrogen energy" in China, which is of guiding significance for the industry. Fourthly, the Group achieved breakthroughs in the development of smart operation. The "Mawan Smart Port", a fully automated port with nearly zero carbon emission, was established by the Group successfully, which has become the first demonstration project of 5G+ unmanned container truck application at ports in China. Moreover, the Group promoted the digitalization and smart upgrade of ports through the "CMCore", "CM ePort" and "SMP", so as to explore the construction of smart management platform for green ports.

In the first half of 2022, the Group further developed the "Shaping Blue Dreams Together (C-Blue)" charity brand. With the support of China Merchants Charitable Foundation, "China Merchant Silk Road Hope Village (招商絲路愛心村)" project, which was jointly promoted by CICT and HIPG, had fruitful achievements in Pannila village and Kenda village, Sri Lanka. Against the economic crisis and social unrest in Sri Lanka, materials, technology know-how and hope were delivered by the Group to the local people to realise "self-supporting development" instead of "development relying on external parties", such relief illustrated that the Group explored the path of sustainable development for the poor villages overseas. In Mainland China, the Group proactively conducted various volunteer services such as civil volunteer convenience services, caring for left-behind children and "Love for Spring Sprouts (春風護苗)" volunteer services, "help and assistance (微幫扶)" for labors' family members in their local communities, community convenience services and community mass nucleic acid testing. Volunteer team from the South China Container Terminal of the Group have conducted a total of 153 volunteer services for nucleic acid testing, in which 2,278 persons have participated at a total service time of 3,417 hours, and 489 thousand people have been served, thereby making key contributions for pandemic containment and safeguard and facilitating the effective implementation of the "regularised pandemic prevention and control" policy. Further exploring the fruitful results of the campaign of "doing practical things for people to satisfy their needs", Ningbo Daxie organised volunteer services with its employees visiting the local communities, which were well recognised by the local residents.

FUTURE PROSPECTS

Looking forward into the second half of 2022, with the gradually fading impacts of the COVID-19 pandemic on the economy, developed countries will expand the scale of production and investment in an orderly manner. Coupling with the huge productivity to be offered by the emerging markets and the developing economies, the global economic growth is expected to improve. However, the medium to long term impact from the geopolitical risks and the Russia-Ukraine conflict continues to pose some uncertainties on the global economy and trade. In addition, risk factors such as restructuring of industrial chains and supply chains in regions of Europe and the United States, interest rate risks under the tightening fiscal policy of the United States, substantial fluctuations of international exchange rates, price hikes of crude oil and commodity and political turmoil in the emerging markets and the developing economies will threaten the global economic recovery with disruptions and challenges. The IMF predicted the global economy to grow by 3.2% in 2022, representing a decrease of 2.9 percentage points as compared to that of 2021. In particular, the developed economies will grow by 2.5%, down by 2.7 percentage points as compared to that of 2021; and the emerging markets and developing economies will grow by 3.6%, down by 3.2 percentage points year-on-year. Global trade volume (including goods and services) will grow by 4.1%, down by 6 percentage points year-on-year.

In the second half of 2022, the COVID-19 pandemic and international environment will tend to be more critical and complex, and China's foreign trade development will continue to face instability and some uncertainties as well as pressure on the goal of ensuring stability and enhancing quality. Nevertheless, the positive fundamentals of China will remain unchanged in the long run regarding its strong economic resilience and considerable potential. To drive its economy and industries to enter the stage of high-quality development, China will further accelerate the building of the new development paradigm featuring "dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay". In the second half of the year, various economic stabilisation policies of China will be further launched and take effect. The advantages of the omni-channel industrial chain will gradually exhibit their strong resilience, release the huge potential and give full play to the market advantages of large economies of scale. China's economy will maintain its positive momentum of sound and sustainable development. Along with the unfolding effective results of pandemic containment under highly efficient coordination as well as socioeconomic development, China's export growth in the second half of 2022 is expected to experience a steady growth. The IMF predicts in its "World Economic Outlook" released in July 2022 that China's economy will grow by 3.3% in 2022, and will continue to outperform the developed economies in terms of growth rate.

Based on the above analysis and judgements, in the second half of 2022, the Group will adhere to the keynote of seeking progress while maintaining stability, tapping the new trends and implementing the new concepts. Driven by the principles of "endogenous growth" and "innovation and transformation", the Group will steadily promote the world-class construction projects with high quality and strengthen the comprehensive service capabilities of supply chain. The Group will strive to realise its strategic goal of becoming a "world's leading comprehensive port service provider" with high quality via improving digitalisation, marketisation, internationalisation, platformisation and refinement.

In terms of the construction of homebase ports, the West Shenzhen Port Zone will closely follow the strategic goal of making China a strong transportation country and continuously improve its service quality. The West Shenzhen Port Zone will refine infrastructure construction, continue to strengthen the construction of the blockchain platform for logistics and trade facilitation to fully improve various comprehensive capabilities. In the second half of 2022, the Mawan Smart Port will further deepen its integrated operation, and continue to optimise and adjust the unmanned container trucks project, and form a smart port with the characteristics of the Group. In terms of overseas homebase ports, the Group will continue to improve the development plan of overseas homebase ports via deepening integrated operations. The Group will leverage its advantages of ports interaction and strengthen the cooperation with shipping companies to develop it into international shipping hubs in South Asia.

In respect of overseas business, the Group will continue to optimise its overseas presence and enhance the comprehensive development of its overseas business. Leveraging the regional influence of its overseas terminals, the Group will strengthen regional market expansion, and continue to promote port-vicinity industry projects. Through improving overseas management systems to enhance the management efficiency for overseas projects, the Group will strive to strengthen the quality and efficiency of overseas terminals, and improve the income of overseas business.

In terms of comprehensive development, the Group will closely adapt to the changes in the global trade environment, and focus on the innovation of business models and profit models and exploration of the value of resources. Apart from improving quality of services to existing customers and increasing customer stickiness, the Group will actively seek overseas investment partners and enterprises to continuously advance the construction of key projects such as port-vicinity industrial parks, comprehensive parks and free trade zones. The Group will also utilise new digital technology to seek breakthroughs in induction of business and investment and enhance the industrial agglomeration capacity and regional influence of various projects.

Regarding innovative development, the Group will focus on industrial transformation and upgrade driven by innovation and technology empowerment. To extend the first growth curve, the Group will put greater efforts in making breakthroughs for key and core technologies, so as to enhance the quality and efficiency of main business with the aid of technology. To cultivate the second growth curve, the Group will push forward the innovation of business models and transform from "volume economy" into "value economy". The Group will expand presence in the emerging industries and actively explore new technology-related business with high growth. Accordingly, the Group will formulate the investment layout strategic plan for the sectors such as green port and smart port.

In respect of capital operation, the Group constantly strives to optimise domestic and overseas asset structure to reduce investment risks. In line with the strategies of the Group and the directions of "innovation-driven endogenous growth" and "balanced development of businesses with light and heavy asset", the Group will strive to improve its capital operation plans, asset allocation and endogenous growth in order to enhance shareholder returns.

In terms of operation management, the Group will continue to improve the management system for various business lines to enhance its overall operation and management. Focusing on the Group's strategies, the Group will continue to strengthen management and control optimisation for improvement of management efficiency. The Group will promote the implementation and application of its management system on the entire lifecycle for its assets and strengthen the control over major projects. By building the smart operation management system to improve the management standards for various operations, the Group will develop a world-class operation and management system that sustainably creates value, as well as a value-oriented management headquarters in a bid to promote its world-class operation and management system that sustainably creates value to a new level.

With regard to marketing and commerce, the Group will maintain the cooperation with major shipping companies and strengthen interaction with end-customers in order to further enhance its capability in business coordination and management. Meanwhile, in line with China's dual circulation model, the Group will further stabilise and develop the business in respect of the interconnected terminals in Northern and Southern China, and continue to expand new domestic and overseas shipping routes. The Group will enhance its core competitiveness in the regions and around the world via strengthening multi-dimensional cooperation within the industry.

In 2022, uncertainties in global economy and trade will remain, including the economic recession arising from the global "stagflation", impacts from the Russia-Ukraine conflict, the political instability of the emerging markets and debt crisis, etc. With the mutual efforts and successive launch of specific policies of various countries globally, the global economy and trade is expected to recover with growth momentum in the second half of 2022, which will present opportunities for the growth of ports operation. Meanwhile, emerging digitalisation technologies will also pave a new development path for the Group to build world-class ports. Staying committed to the strategic guidance, the Group will take initiative in seeking opportunities, navigate through uncertainties over the economy and trade, and proactively explore reform and innovation to release its endogenous potential. Furthermore, the Group will constantly enhance its core competitiveness and overall profitability to maximise the interests of its shareholders as the top priority and generate value for all stakeholders.

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$866 million for the six months ended 30 June 2022 by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend (or part thereof) in cash in lieu of such allotment (2021: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 21 November 2022 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 5 October 2022 (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 10 October 2022. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited ("**HKSE**") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 21 November 2022.

CLOSURE OF REGISTER

The Register of Members will be closed from 28 September 2022 to 5 October 2022 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 September 2022.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2022, the interests of the Directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and Share Options in the Company

Name of Director	Capacity	Nature of interest	Number of shares in the Company	Number of share options granted	Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2022
Mr. Yim Kong	Beneficial owner	Personal interest	7,227	—	0.0002%
Mr. Yang Guolin [1]	Beneficial owner	Personal interest	212,415	—	0.0056%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	259,439	—	0.0069%

Shares and Share Options in the Company's association corporation - China Merchants Port Group Co., Ltd. ("**CMPG**")

Name of Director	Capacity	Nature of interest	Number of shares held in the Company's associated corporation	Number of shares options granted	Number of shares options cancelled	Total	Percentage of long position in A class shares held to the issued shares of the Company's associated corporation as at 30 June 2022
Mr. Yim Kong	Beneficial owner	Personal interest	—	170,000[3]	68,000[3]	102,000	0.0053%
Mr. Xu Song[2]	Beneficial owner	Personal interest	—	240,000[3]	—	240,000	0.0125%

Notes:

(1) Mr. Yang Guolin was appointed as executive director of the Company on 22 June 2022.

(2) Mr. Xu Song was appointed as executive director and managing director of the Company on 22 June 2022.

(3) As at 30 June 2022, the Company is a subsidiary of CMPG and accordingly, CMPG is an associated corporation of the Company. The interests in CMPG held by each Director are share options granted on 3 February 2020 under an employee incentive scheme of CMPG (the "**Employee Incentive Scheme**"), which are subject to the terms and conditions of the Employee Incentive Scheme. In accordance with the exercise schedule under the Employee Incentive Scheme, the share options of Mr. Yim Kong may be exercised in batches from 3 February 2022 to 3 February 2027 while the share options of Mr. Xu Song may be exercised in batches from 29 January 2023 to 29 January 2027. Such share options are conditional upon the satisfaction of certain performance targets specified thereunder. Details of the Employee Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (http://www.szse.cn/). Apart from the cancellation of 68,000 share options granted to Mr. Yim Kong, no share options were exercised, lapsed or cancelled during the period.

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2022, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer ("**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the HKSE, to be notified to the Company and the HKSE.

Save as disclosed above, at no time during the current period was any of the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons, other than a Director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO or as notified to the Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long Positions

Name of substantial shareholder	Capacity	Shares/underlying Shares held	%
China Merchants Group Limited	Interest of Controlled Corporation	2,499,931,984[1,2,3,4]	66.04%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,473,327,984[2]	65.33%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,473,327,984[2]	65.33%
Broadford Global Limited	Interest of Controlled Corporation	1,641,207,473[2]	43.35%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,641,207,473[2]	43.35%
China Merchants Port Investment Development Company Limited	Interest of Controlled Corporation	1,641,207,473[2]	43.35%
CMPG	Beneficial Owner and Interest of Controlled Corporation	1,641,207,473[2]	43.35%
Port Development (Hongkong) Company Limited	Beneficial Owner	1,627,635,473[2]	43.00%
China Merchants Union (BVI) Limited	Beneficial Owner	832,120,511[2]	21.98%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.08%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.08%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000[3]	0.08%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	23,604,000[4]	0.62%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000[4]	0.62%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000[4]	0.62%
China Merchants Investment Development (Hong Kong) Limited	Beneficial Owner	23,604,000[4]	0.62%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878[5]	21.17%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("**CMSN**"), China Merchants Shekou Industrial Zone Holdings Company Limited ("**CMSIZ**") and Sinotrans & CSC Holdings Co., Ltd. ("**Sinotrans CSC**") is a subsidiary of China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 2,499,931,984 shares, which represents the aggregate of 2,473,327,984 shares deemed to be interested by CMSN (see Note 2 below), 3,000,000 shares deemed to be interested by CMSIZ (see Note 3 below) and 23,604,000 shares deemed to be interested by Sinotrans CSC (see Note 4 below).

2. China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**") is wholly-owned by CMSN, and Broadford Global Limited ("**Broadford**") is in turn wholly-owned by CMHK. Rainbow Reflection Limited ("**Rainbow**") is 74.66%-owned by Broadford and 25.34%-owned by China Merchants Union (BVI) Limited ("**CMU**"), which is in turn 50%-owned by CMHK. China Merchants Port Investment Development Company Limited ("**CMPID**") is in turn wholly-owned by Rainbow. CMPG is 59.75%-owned by CMPID.

CMSN is deemed to be interested in 2,473,327,984 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 832,120,511 shares beneficially held by CMU and 1,641,207,473 shares deemed to be interested by CMPG.

Port Development (Hongkong) Company Limited ("**Port Development**") is a wholly-owned subsidiary of CMPG. CMPG is deemed to be interested in 1,641,207,473 shares. Such shares represent the 1,627,635,473 shares benefically held by Port Development and 13,572,000 shares beneficially held by CMPG.

3. Top Chief Company Limited ("**Top Chief**") is wholly-owned by CMSIZ and Orienture Holdings Company Limited ("**Orienture**") is in turn wholly-owned by Top Chief. CMSIZ is deemed to be interested in the 3,000,000 shares which are deemed to be interested by Top Chief. Such shares represent the 3,000,000 shares beneficially held by Orienture.

4 China Merchants Investment Development (Hong Kong) Limited formerly known as "Sinotrans Shipping Limited" hereinafter referred to as ("**CMID (HK)**") is 100%-owned by Sinotrans Shipping (Holdings) Limited ("**SSHL**"), which is wholly-owned by Sinomarine Limited ("**Sinomarine**"), which is in turn wholly-owned by Sinotrans CSC. Therefore, each of SSHL, Sinomarine and Sinotrans CSC is deemed to be interested in 23,604,000 shares beneficially held by CMID (HK).

5. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited ("**Pagoda Tree**") on 3 August 2020, 50% interest in CMU is owned by Verise Holdings Company Limited ("**Verise Holdings**"), which is wholly-owned by CNIC Corporation Limited ("**CNIC Corporation**"), which is in turn 90%-owned by Compass Investment Company Limited ("**Compass Investment**"), which is in turn wholly-owned by Pagoda Tree. Therefore, each of Verise Holdings, CNIC Corporation, Compass Investment and Pagoda Tree is deemed to be interested in the 801,294,878 shares beneficially held by CMU.

Short Position

Nil

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

CORPORATE GOVERNANCE

The Board is committed to uphold a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules on the HKSE as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period.

In the opinion of the Board, the Company has complied with the code provisions set out in part 2 of the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2022, except the following: -

In respect of Code Provision F.2.2 under the Corporate Governance Code, Mr. Deng Renjie, the Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2022 due to business trip. Mr. Yim Kong, the Executive Director and the then Managing Director of the Company, took chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, the Chairman of the audit committee of the Company (the "**Audit Committee**") and other Board members and the external auditor were present at the annual general meeting of the Company held on 2 June 2022 to answer shareholders' questions.

The current practices of the Company will be reviewed and updated regularly to reflect as much as possible the latest best practices in corporate governance.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2022.

UPDATE ON DIRECTOR'S BIOGRAPHICAL DETAILS

With effect from 29 April 2022, Mr. Deng Weidong was appointed as the non-executive director of China Merchants Securities Co. Ltd., shares of which are listed on the Shanghai Stock Exchange and the HKSE.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

By Order of the Board
Deng Renjie
Chairman

Hong Kong, 30 August 2022

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Note	Unaudited 2022 HK$'million	2021 HK$'million
Revenue	5	**6,508**	5,663
Cost of sales		**(3,400)**	(3,016)
Gross profit		**3,108**	2,647
Other income and other (losses)/gains, net	7	**(437)**	283
Administrative expenses		**(712)**	(680)
Finance income	8	**210**	192
Finance costs	8	**(1,018)**	(847)
Finance costs, net	8	**(808)**	(655)
Share of profits less losses of			
Associates		**4,871**	4,145
Joint ventures		**165**	61
		5,036	4,206
Profit before taxation		**6,187**	5,801
Taxation	9	**(626)**	(527)
Profit for the period	10	**5,561**	5,274
Attributable to:			
Equity holders of the Company		**4,825**	4,711
Holders of perpetual capital securities		**113**	113
Non-controlling interests		**623**	450
Profit for the period		**5,561**	5,274
Earnings per share for profit attributable to equity holders of the Company	12		
Basic (HK cents)		**127.48**	128.67

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Unaudited 2022 HK$'million	2021 HK$'million
Profit for the period	**5,561**	5,274
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	**(4,404)**	528
Release of reserves upon deemed disposal of a subsidiary	—	(3)
Release of reserves upon deemed disposal of partial interest in an associate	—	(16)
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	**81**	(1)
Total other comprehensive (expense)/income for the period, net of tax	**(4,323)**	508
Total comprehensive income for the period	**1,238**	5,782
Total comprehensive income attributable to:		
Equity holders of the Company	**1,055**	5,139
Holders of perpetual capital securities	**113**	113
Non-controlling interests	**70**	530
	1,238	5,782

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 HK$'million	Audited 31 December 2021 HK$'million
ASSETS			
Non-current assets			
Goodwill		**5,743**	5,641
Intangible assets	13	**8,480**	8,607
Property, plant and equipment	13	**25,654**	26,846
Right-of-use assets	13	**17,197**	17,650
Investment properties	13	**8,666**	9,034
Interests in associates		**76,160**	75,209
Interests in joint ventures		**9,569**	8,874
Other financial assets		**10,162**	10,516
Other non-current assets		**395**	203
Deferred tax assets		**371**	394
		162,397	162,974
Current assets			
Inventories		**184**	166
Other financial assets		**453**	3,016
Debtors, deposits and prepayments	14	**4,130**	2,134
Taxation recoverable		**—**	3
Cash and bank balances		**8,855**	9,980
		13,622	15,299
Non-current assets held for sale		**400**	417
		14,022	15,716
Total assets		**176,419**	178,690

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 HK$'million	Audited 31 December 2021 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**44,017**	44,017
Reserves		**51,757**	51,519
Proposed dividend		**866**	2,726
		96,640	98,262
Perpetual capital securities		**6,242**	6,241
Non-controlling interests		**19,887**	20,295
Total equity		**122,769**	124,798
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	16	**25,291**	22,231
Lease liabilities		**914**	886
Other non-current liabilities		**4,986**	4,735
Deferred tax liabilities		**4,789**	4,851
		35,980	32,703
Current liabilities			
Creditors and accruals	17	**3,912**	4,304
Dividend payable to ordinary shareholders of the Company		**2,726**	—
Bank and other borrowings	16	**9,794**	14,551
Lease liabilities		**104**	40
Taxation payable		**1,134**	2,294
		17,670	21,189
Total liabilities		**53,650**	53,892
Total equity and liabilities		**176,419**	178,690
Net current liabilities		**(3,648)**	(5,473)
Total assets less current liabilities		**158,749**	157,501

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Unaudited						
	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
	Share capital HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million	HK$'million
As at 1 January 2022	44,017	8,432	45,813	98,262	6,241	20,295	124,798
COMPREHENSIVE INCOME							
Profit for the period	—	—	4,825	4,825	113	623	5,561
Other comprehensive expense							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	(3,851)	—	(3,851)	—	(553)	(4,404)
Share of other reserves of associates	—	81	—	81	—	—	81
Total other comprehensive expense for the period, net of tax	—	(3,770)	—	(3,770)	—	(553)	(4,323)
Total comprehensive (expense)/income for the period	—	(3,770)	4,825	1,055	113	70	1,238
TRANSACTIONS WITH OWNERS							
Transfer to statutory reserve	—	70	(70)	—	—	—	—
Contribution from immediate holding company	—	5	—	5	—	—	5
Share of other changes in equity attributable to equity holders of associates and joint ventures	—	44	—	44	—	—	44
Repayment of capital contribution to a non-controlling equity holder	—	—	—	—	—	(68)	(68)
Distribution to holders of perpetual capital securities	—	—	—	—	(112)	—	(112)
Dividends	—	—	(2,726)	(2,726)	—	(410)	(3,136)
Total transactions with owners for the period	—	119	(2,796)	(2,677)	(112)	(478)	(3,267)
As at 30 June 2022	44,017	4,781	47,842	96,640	6,242	19,887	122,769

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Unaudited						
	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
	Share capital HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million	HK$'million
As at 1 January 2021	42,521	4,922	40,446	87,889	6,237	19,509	113,635
COMPREHENSIVE INCOME							
Profit for the period	—	—	4,711	4,711	113	450	5,274
Other comprehensive income							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	448	—	448	—	80	528
Release of reserves upon deemed disposal of a subsidiary	—	(10)	7	(3)	—	—	(3)
Release of reserves upon deemed disposal of partial interest in an associate	—	(35)	19	(16)	—	—	(16)
Share of other reserves of associates	—	(1)	—	(1)	—	—	(1)
Total other comprehensive income for the period, net of tax	—	402	26	428	—	80	508
Total comprehensive income for the period	—	402	4,737	5,139	113	530	5,782
TRANSACTIONS WITH OWNERS							
Transfer to statutory reserve	—	(8)	8	—	—	—	—
Deemed disposal of a subsidiary	—	—	—	—	—	(25)	(25)
Contribution from immediate holding company	—	10	—	10	—	—	10
Share of other changes in equity attributable to equity holders of associates and a joint venture	—	15	—	15	—	—	15
Distribution to holders of perpetual capital securities	—	—	—	—	(112)	—	(112)
Dividends	—	—	(1,867)	(1,867)	—	(17)	(1,884)
Total transactions with owners for the period	—	17	(1,859)	(1,842)	(112)	(42)	(1,996)
As at 30 June 2021	42,521	5,341	43,324	91,186	6,238	19,997	117,421

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	2022	2021
	HK$'million	HK$'million
Cash flows from operating activities		
Net cash inflow from operations	**3,608**	2,934
Tax paid	**(487)**	(465)
Dividends received from associates and joint ventures	**716**	1,768
Net cash generated from operating activities	**3,837**	4,237
Cash flows used in investing activities		
Proceeds from withdrawal of other deposits and structured deposits	**4,121**	1,260
Placement of other deposits and structured deposits	**(1,546)**	(2,159)
Purchase of property, plant and equipment and port operating rights	**(737)**	(964)
Interest income received	**163**	158
Deemed disposal of a subsidiary	**—**	(38)
Tax payments relating to resumption of land parcels in previous years	**(1,145)**	—
Investments in associates and a joint venture	**(2,799)**	—
Other investing cash flows	**(9)**	146
Net cash used in investing activities	**(1,952)**	(1,597)
Cash flows used in financing activities		
Proceeds from bank loans	**9,482**	1,818
Loan from immediate holding company	**217**	—
Repayment of bank loans	**(8,038)**	(7,325)
Repayment of loans from non-controlling equity holders of subsidiaries	**(307)**	—
Repayment of notes payable	**(6,860)**	—
Net proceeds on issue of notes payable	**3,916**	—
Interests paid	**(764)**	(778)
Distribution paid to holders of perpetual capital securities	**(112)**	(112)
Other financing cash flows	**(251)**	214
Net cash used in financing activities	**(2,717)**	(6,183)
Decrease in cash and cash equivalents	**(832)**	(3,543)
Cash and cash equivalents at 1 January	**9,974**	11,217
Effect of foreign exchange rate changes	**(292)**	47
Cash and cash equivalents at 30 June, represented by cash and bank balances	**8,850**	7,721

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Hong Kong and has its shares listed on The Stock Exchange of Hong Kong Limited (the "HKSE").

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

This condensed consolidated interim financial information is presented in Hong Kong dollar ("HK$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 30 August 2022 but has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the HKSE and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In preparing the condensed consolidated interim financial information of the Group, the directors of the Company has given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$3,648 million as at 30 June 2022. In the opinion of the directors of the Company, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration the working capital estimated to be generated from operating activities and the undrawn facilities of bank loans and other debt financing instruments. Based on this, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare this condensed consolidated interim financial information on a going concern basis.

The financial information relating to the financial year ended 31 December 2021 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements is as follows:

2. BASIS OF PREPARATION (CONTINUED)

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance").

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared on the historical cost basis, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss ("FVTPL") and equity instruments at fair value through other comprehensive income ("FVTOCI"), which are carried at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2022 for the preparation of the Group's condensed consolidated interim financial information:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated interim financial information.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the annual consolidated financial statements for the year ended 31 December 2021.

5. REVENUE

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

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	**6,172**	5,313
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	**254**	246
Revenue from contracts with customers	**6,426**	5,559
Gross rental income from investment properties	**82**	104
	6,508	5,663

6. SEGMENT INFORMATION

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

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

From business and financial perspectives, management assesses the performance of the Group's business operations including ports operation, bonded logistics operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures.

The Group's ports operation are as follows:

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta
- Yangtze River Delta
- Bohai Rim
- Others

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

(ii) Bonded logistics operation includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Other operations mainly include property development and investment and logistics operation operated by the Group's associates, property investment operated by the Group and corporate function.

6. SEGMENT INFORMATION (CONTINUED)

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations. For the purpose of segment reporting, these individual operating segments have been aggregated into reporting segments on geographic basis as these individual operating segments have similar economic characteristics, and they present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

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

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

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

	Revenue		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2022	2021	2022	2021
	HK$'million	HK$'million	HK$'million	HK$'million
Mainland China, Hong Kong and Taiwan	4,233	3,519	107,747	108,106
Brazil	835	753	8,653	8,117
Other locations	1,440	1,391	35,464	35,841
	6,508	5,663	151,864	152,064

6. SEGMENT INFORMATION (CONTINUED)

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

	For the six months ended 30 June 2022										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue	2,576	785	41	520	2,250	6,172	254	82	–	82	6,508
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,165	248	(23)	30	1,024	2,444	61	37	(583)	(546)	1,959
Share of profits less losses of											
– Associates	129	3,596	110	32	841	4,708	7	156	–	156	4,871
– Joint ventures	–	–	64	4	96	164	1	–	–	–	165
	1,294	3,844	151	66	1,961	7,316	69	193	(583)	(390)	6,995
Finance costs, net	(34)	1	–	(13)	(180)	(226)	(7)	(16)	(559)	(575)	(808)
Taxation	(259)	(217)	(13)	(17)	(88)	(594)	(11)	(21)	–	(21)	(626)
Profit/(loss) for the period	1,001	3,628	138	36	1,693	6,496	51	156	(1,142)	(986)	5,561
Holders of perpetual capital securities	–	–	–	–	–	–	–	–	(113)	(113)	(113)
Non-controlling interests	(201)	(155)	–	(20)	(237)	(613)	(10)	–	–	–	(623)
Profit/(loss) attributable to equity holders of the Company	800	3,473	138	16	1,456	5,883	41	156	(1,255)	(1,099)	4,825
Other information:											
Depreciation and amortisation	379	121	1	165	469	1,135	53	5	16	21	1,209
Capital expenditure	308	25	–	53	101	487	24	6	–	6	517

6. SEGMENT INFORMATION (CONTINUED)

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

	For the six months ended 30 June 2021										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Revenue	2,087	534	35	522	2,135	5,313	246	104	—	104	5,663
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,070	209	502	44	429	2,254	73	61	(138)	(77)	2,250
Share of profits less losses of											
– Associates	124	2,727	121	51	230	3,253	6	886	—	886	4,145
– Joint ventures	—	—	30	3	27	60	1	—	—	—	61
	1,194	2,936	653	98	686	5,567	80	947	(138)	809	6,456
Finance costs, net	7	—	—	(19)	(39)	(51)	(9)	(17)	(578)	(595)	(655)
Taxation	(263)	(156)	(53)	(23)	41	(454)	(19)	(54)	—	(54)	(527)
Profit/(loss) for the period	938	2,780	600	56	688	5,062	52	876	(716)	160	5,274
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(113)	(113)	(113)
Non-controlling interests	(162)	(70)	—	(18)	(186)	(436)	(14)	—	—	—	(450)
Profit/(loss) attributable to equity holders of the Company	776	2,710	600	38	502	4,626	38	876	(829)	47	4,711
Other information:											
Depreciation and amortisation	297	117	1	161	468	1,044	58	1	13	14	1,116
Capital expenditure	642	19	—	69	82	812	3	21	5	26	841

6. SEGMENT INFORMATION (CONTINUED)

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

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

	As at 30 June 2022										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta HK$'million	Yangtze River Delta HK$'million	Bohai Rim HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	19,737	7,881	1,050	11,549	36,382	76,599	2,585	8,847	1,888	10,735	89,919
Interests in associates	2,955	38,769	4,982	3,151	9,198	59,055	583	16,522	–	16,522	76,160
Interests in joint ventures	5	–	2,987	359	5,430	8,781	552	236	–	236	9,569
Non-current assets held for sale	–	–	–	400	–	400	–	–	–	–	400
Total segment assets	22,697	46,650	9,019	15,459	51,010	144,835	3,720	25,605	1,888	27,493	176,048
Deferred tax assets											371
Total assets											176,419
LIABILITIES											
Segment liabilities	3,397	198	16	1,687	8,471	13,769	654	758	32,546	33,304	47,727
Taxation payable											1,134
Deferred tax liabilities											4,789
Total liabilities											53,650

6. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December 2021										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	20,092	6,938	1,040	12,077	35,599	75,746	3,393	8,928	5,726	14,654	93,793
Interests in associates	2,960	36,076	5,186	3,353	9,380	56,955	817	17,437	—	17,437	75,209
Interests in joint ventures	10	—	3,047	378	5,409	8,844	7	23	—	23	8,874
Non-current assets held for sale	—	—	—	417	—	417	—	—	—	—	417
Total segment assets	23,062	43,014	9,273	16,225	50,388	141,962	4,217	26,388	5,726	32,114	178,293
Taxation recoverable											3
Deferred tax assets											394
Total assets											178,690
LIABILITIES											
Segment liabilities	3,945	214	18	1,888	8,676	14,741	648	1,006	30,352	31,358	46,747
Taxation payable											2,294
Deferred tax liabilities											4,851
Total liabilities											53,892

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

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Net changes in fair value of financial assets at FVTPL	**(144)**	(22)
Net changes in fair value of financial liabilities at FVTPL	—	(531)
Net changes in fair value of investment properties	**6**	4
Net exchange losses	**(463)**	(11)
Dividend income from equity investments	**92**	88
Government grants	**61**	203
Gain on disposal of property, plant and equipment	—	11
Gain on deemed disposal of a subsidiary	—	17
(Loss)/gain on deemed disposal of partial interest in an associate	**(3)**	500
Others	**14**	24
	(437)	283

8. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Finance income from:		
Interest income from bank and other deposits	**74**	52
Interest income from advances to associates	**100**	102
Interest income from advance to a joint venture	**36**	38
	210	192
Interest expense on:		
Bank loans	**(180)**	(164)
Notes payable	**(554)**	(606)
Loans from:		
– a non-controlling equity holder of a subsidiary	**(9)**	(12)
– a fellow subsidiary	**(6)**	(9)
– immediate holding company	**(28)**	(21)
Lease liabilities	**(27)**	(25)
Others	**(214)**	(41)
Total borrowing costs incurred	**(1,018)**	(878)
Less: amount capitalised on qualifying assets (Note)	—	31
Finance costs	**(1,018)**	(847)
Finance costs, net	**(808)**	(655)

Note: Apart from the interest expense incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 3.86% per annum was applied for the six months ended 30 June 2021, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

9. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of the People's Republic of China (the "PRC") ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

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

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Current taxation		
Hong Kong Profits Tax	**5**	4
PRC corporate income tax	**349**	292
Overseas profits tax	**55**	11
Withholding income tax	**114**	112
Deferred taxation		
Origination and reversal of temporary differences	**103**	108
	626	527

10. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**1,126**	1,032
Depreciation of property, plant and equipment	**802**	733
Depreciation of right-of-use assets	**269**	249
Amortisation of intangible assets	**138**	134

11. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Interim dividend of 22 HK cents (2021: 22 HK cents) per ordinary share	**866**	823

At a meeting held on 30 August 2022, the Board of Directors proposed an interim dividend of 22 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2022.

The amount of interim dividend for 2022 was based on 3,938,269,512 (2021: 3,743,142,822) shares in issue as at 30 August 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 2 June 2022, a final dividend of 72 HK cents per ordinary share, totalling HK$2,726 million for the year ended 31 December 2021 was declared. In July 2022, the Company issued 152,649,783 shares under the Company's scrip dividend scheme.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
Basic		
Profit attributable to equity holders of the Company (HK$'million)	**4,825**	4,711
Weighted average number of ordinary shares in issue	**3,785,619,729**	3,661,088,416

No diluted earnings per share for both six months ended 30 June 2022 and 2021 were presented as there were no potential dilutive ordinary shares in issue for both periods.

13. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

	Intangible assets HK$'million	Property, plant and equipment HK$'million	Right-of-use assets HK$'million	Investment properties HK$'million
Six months ended 30 June 2022				
Net book value as at 1 January 2022	**8,607**	**26,846**	**17,650**	**9,034**
Exchange adjustments	**8**	**(611)**	**(286)**	**(374)**
Additions	**3**	**224**	**102**	—
Increase in fair value	—	—	—	**6**
Disposal	—	**(3)**	—	—
Depreciation and amortisation	**(138)**	**(802)**	**(269)**	—
Net book value as at 30 June 2022	**8,480**	**25,654**	**17,197**	**8,666**
Six months ended 30 June 2021				
Net book value as at 1 January 2021	9,369	26,509	16,553	8,918
Exchange adjustments	93	231	69	72
Additions	20	803	13	2
Increase in fair value	—	—	—	4
Disposal	—	(16)	(13)	—
Deemed disposal of a subsidiary	—	(10)	—	—
Depreciation and amortisation	(134)	(733)	(249)	—
Net book value as at 30 June 2021	9,348	26,784	16,373	8,996

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2022 HK$'million	31 December 2021 HK$'million
Trade debtors from contracts with customers, net (Note (a))	**1,362**	1,023
Amounts due from fellow subsidiaries (Note (b))	**24**	31
Amount due from immediate holding company (Note (b))	**2**	2
Amounts due from associates (Note (b))	**86**	83
Amounts due from joint ventures (Note (b))	**1**	1
Dividend receivables	**2,035**	250
	3,510	1,390
Other debtors, deposits and prepayments	**620**	744
	4,130	2,134

14. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

(a) Bill receivables of HK$2 million (31 December 2021: nil) are included in trade debtors as at 30 June 2022 with a maturity period of less than one year.

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2021: 90 days) to its trade debtors. The ageing analysis of the trade debtors, based on the invoice date, net of allowance for credit losses of trade debtors, is as follows:

	30 June 2022 HK$'million	31 December 2021 HK$'million
0 - 90 days	**1,230**	904
91 - 180 days	**97**	61
181 - 365 days	**26**	39
Over 365 days	**9**	19
	1,362	1,023

(b) The balances are unsecured, interest-free and repayable in accordance with the credit term.

15. SHARE CAPITAL

	Company			
	Number of shares		**Share capital**	
	Six months ended 30 June		**Six months ended 30 June**	
	2022	2021	**2022**	2021
			HK$'million	HK$'million
Issued and fully paid:				
As at 1 January and 30 June	**3,785,619,729**	3,661,088,416	**44,017**	42,521

16. BANK AND OTHER BORROWINGS

	30 June 2022 HK$'million	31 December 2021 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	6,586	4,629
– fixed rate	59	61
Unsecured long-term fixed rate bank loans	29	851
Long-term variable rate bank loans		
– unsecured	4,321	3,767
– secured (Note (a))	1,923	2,307
	12,918	11,615
Loan from a non-controlling equity holder of a subsidiary (Note (b))	251	504
Loans from a fellow subsidiary (Note (c))	430	461
Loan from immediate holding company (Note (d))	1,500	1,314
Notes payable (Note (e))		
– US$500 million, 5% guaranteed listed notes maturing in 2022	—	3,896
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	7,050	6,998
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	3,915	3,888
– US$500 million, 4% guaranteed listed notes maturing in 2027	3,909	—
– US$600 million, 5% guaranteed listed notes maturing in 2028	4,666	4,633
– Brazilian Real 300 million, Brazil's Extended National Consumer Price Index +7.82% listed notes maturing in 2022	446	411
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	—	3,062
	19,986	22,888
Total	35,085	36,782
Less: amounts due within one year included under current liabilities	(9,794)	(14,551)
Non-current portion	25,291	22,231

16. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 30 June 2022 and 31 December 2021, the following assets are pledged against the Group's secured bank loans:

	30 June 2022 HK$'million	31 December 2021 HK$'million
Property, plant and equipment	334	356
Right-of-use assets	217	230
	551	586

In addition to the above, the entire shareholdings in two subsidiaries owned by the Group as at 30 June 2022 and 31 December 2021, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) The amount is unsecured, interest-bearing at 4.65% (31 December 2021: 4.65%) per annum.

(c) The amounts as at 30 June 2022 and 31 December 2021 are loans from a fellow subsidiary which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. These amounts are unsecured, interest-bearing at 1.20% to 4.41% (31 December 2021: 1.20% to 4.41%) per annum.

(d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum.

(e) Listed notes issued by subsidiaries of the Company of HK$19,540 million (31 December 2021: HK$19,415 million) are secured by corporate guarantees provided by the Company.

The fair value of the listed notes payable as at 30 June 2022 was HK$20,403 million (31 December 2021: HK$21,259 million). The fair value of the unlisted notes payable as at 31 December 2021 was HK$3,017 million. The fair value of unlisted notes payable was determined by discounting the future cash flows at the current market interest rate available to the Group and the fair value of the listed notes payable was determined with reference to quoted market price. Other than the listed and unlisted notes payable, the carrying amounts of the bank and other borrowings approximate their fair values as at 30 June 2022 and 31 December 2021.

(f) The Group is required to comply with certain financial covenants and non-financial covenants throughout the continuance of the relevant loans. The Group has complied with the covenants throughout the reporting period.

(g) As at 30 June 2022, the Group has undrawn bank loan facilities and other debt financing instruments amounting to HK$24,901 million (31 December 2021: HK$17,215 million), of which HK$15,873 million (31 December 2021: HK$10,663 million) and HK$9,028 million (31 December 2021: HK$6,552 million) are committed and uncommitted credit facilities, respectively.

(h) The bank and other borrowings as at 30 June 2022 and 31 December 2021 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from a fellow subsidiary		Loan from immediate holding company		Notes payable		Total	
	30 June 2022 HK$'million	31 December 2021 HK$'million	30 June 2022 HK$'million	31 December 2021 HK$'million	30 June 2022 HK$'million	31 December 2021 HK$'million	30 June 2022 HK$'million	31 December 2021 HK$'million	30 June 2022 HK$'million	31 December 2021 HK$'million	30 June 2022 HK$'million	31 December 2021 HK$'million
Within 1 year	7,789	5,791	—	—	59	77	1,500	1,314	446	7,369	9,794	14,551
Between 1 and 2 years	1,657	1,989	—	—	228	—	—	—	7,050	6,998	8,935	8,987
Between 2 and 5 years	2,683	2,897	—	—	—	239	—	—	7,824	3,888	10,507	7,024
Within 5 years	12,129	10,677	—	—	287	316	1,500	1,314	15,320	18,255	29,236	30,562
More than 5 years	789	938	251	504	143	145	—	—	4,666	4,633	5,849	6,220
	12,918	11,615	251	504	430	461	1,500	1,314	19,986	22,888	35,085	36,782

17. CREDITORS AND ACCRUALS

	30 June 2022 HK$'million	31 December 2021 HK$'million
Trade creditors (Note (a))	**475**	546
Contract liabilities	**189**	122
Amounts due to fellow subsidiaries (Note (b))	**46**	42
Amounts due to associates (Note (b))	**161**	501
Amounts due to joint ventures (Note (b))	**2**	—
Other payables and accruals	**3,039**	3,093
	3,912	4,304

Notes:

(a) The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2022 HK$'million	31 December 2021 HK$'million
0 - 90 days	**419**	473
91 - 180 days	**14**	25
181 - 365 days	**6**	4
Over 365 days	**36**	44
	475	546

(b) The balances are unsecured, interest-free and repayable in accordance with the credit term.

18. FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and hence should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

There have been no significant changes in the risk management since last financial year end or in any risk management policies.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation

Different levels of fair value measurements have been defined as follows:

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

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

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

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2022 and 31 December 2021:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
As at 30 June 2022				
Financial assets				
Financial assets at FVTPL	**2,738**	**295**	**3**	**3,036**
Equity instruments at FVTOCI	—	—	**31**	**31**
	2,738	**295**	**34**	**3,067**
As at 31 December 2021				
Financial assets				
Financial assets at FVTPL	2,941	2,891	3	5,835
Equity instruments at FVTOCI	—	—	32	32
	2,941	2,891	35	5,867

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

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

The fair value of the structured deposit that are accounted for as financial assets at FVTPL is valued based on the foreign exchange rate (31 December 2021: foreign exchange rate and gold price). As at 30 June 2022, if the foreign exchange rate was 5% (31 December 2021: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant (31 December 2021: insignificant). As at 31 December 2021, if the gold price was 5% higher/lower while all the other variables were held constant, the changes in fair value of the structure deposit would be insignificant.

The fair value of other unlisted equity instruments that are accounted for as financial assets at FVTPL or equity instruments at FVTOCI is valued based on Guideline Publicly Traded Company method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. As at 30 June 2022, if any of the significant unobservable inputs above was 5% (31 December 2021: 5%) higher/lower while all the other variables were held constant, the changes in fair value of these unlisted equity instruments would be insignificant (31 December 2021: insignificant).

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2022 and 2021:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million
For the six months ended 30 June 2022		
As at 1 January 2022	**3**	**32**
Exchange adjustments	—	**(1)**
As at 30 June 2022	**3**	**31**

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million	Financial liabilities at FVTPL HK$'million
For the six months ended 30 June 2021			
As at 1 January 2021	3	31	(3,432)
Exchange adjustments	—	—	(210)
Settlement	—	—	54
Fair value loss recognised in profit or loss	—	—	(531)
As at 30 June 2021	3	31	(4,119)

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

Except for notes payable, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values at the end of the reporting period.

19. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments for property, plant and equipment and intangible assets that are contracted but not provided for

	30 June 2022 HK$'million	31 December 2021 HK$'million
Group		
Property, plant and equipment and intangible assets	**1,597**	1,482
Joint ventures		
Property, plant and equipment	**48**	56
	1,645	1,538

(b) Capital commitments for investments that are contracted but not provided for

	30 June 2022 HK$'million	31 December 2021 HK$'million
Group		
Ports projects	**6**	6
Joint ventures		
Land development project	**13**	220

19. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities

(i) As at 30 June 2022, TCP Participações S.A. ("TCP", together with its subsidiaries, the "TCP Group") had significant contingent liabilities arising from pending legal proceedings in Brazil in respect of disputes with local tax authorities, employees or former employees of TCP Group and other parties, amounting to HK$283 million (31 December 2021: HK$255 million), which, based on the latest estimates of the management of the Group, is not probable that outflows of resources embodying economic benefits will be required to settle these obligations. Accordingly, no provision for litigation claims in respect of the above cases has been made in the condensed consolidated interim financial information. A counter indemnity in favour of the Group is executed by the selling shareholders pursuant to which the latter indemnify to the Group for the above contingent liabilities for and up to predetermined amounts and specified length of time.

(ii) As at 30 June 2022 and 31 December 2021, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK$80 million (31 December 2021: HK$80 million) arising from the above loan facilities and other obligations.

In addition to above, the Group also provides guarantees for banking facilities granted to and other obligations borne by an associate of China Merchants Group Limited ("CMG"). The total amount guaranteed by the Group is HK$226 million (31 December 2021: HK$225 million) and the aggregate amount utilised by the relevant related party amounted to HK$136 million (31 December 2021: HK$135 million).

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

(iii) As at 30 June 2022 and 31 December 2021, the Company has been involved in a legal action involving dispute over the Group's overseas investment. Based on advice of legal counsel and information available to the Group, the directors of the Company are of the opinion that it is pre-mature to assess the possible outcome of the case and the Company is unable to ascertain the likelihood of the claim at the current stage and management of the Group considered that it is not probable that outflow of resources will be required.

20. RELATED PARTY TRANSACTIONS

The directors of the Company regard CMG, a state-owned enterprise registered in the PRC and is controlled by the PRC government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. Other than as disclosed elsewhere in this condensed consolidated financial information, a summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the period and balances arising from related transactions as at 30 June 2022 are as follows:

(a) Balances and transactions with associates and joint ventures of the Group and with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group")

	Note	Six months ended 30 June 2022 HK$'million	2021 HK$'million
Rental income from	(i)		
– fellow subsidiaries		**24**	28
– joint ventures		**9**	9
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		**3**	2
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		**4**	2
Service income from	(ii)		
– fellow subsidiaries		**57**	41
– associates		**5**	16
– joint ventures		**39**	31
– related parties		**—**	8
Service fee paid to	(iii)		
– fellow subsidiaries		**28**	31
– associates		**34**	73
– joint ventures		**10**	9
– related parties		**20**	—
Interest income from			
– a fellow subsidiary	(iv)	**5**	10
– associates	(v)	**100**	102
– a joint venture	(v)	**36**	38
– a related party	(vi)	**10**	9
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		**28**	21
– a fellow subsidiary		**6**	9

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances and transactions with associates and joint ventures of the Group and with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (continued)

Notes:

(i) The Group rented certain vessels and properties from and leased office premises and residential units to fellow subsidiaries, and also leased warehouses to joint ventures. Lease payments were received or charged at a fixed amount per month in accordance with respective tenancy agreements.

During the current period, the Group has recognised an addition of right-of-use assets of HK$102 million (2021: HK$6 million) and lease liabilities of HK$102 million (2021: HK$6 million) in relation to these leases.

(ii) The ports, logistics and information technology service fees were charged with reference to market rates.

(iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management and information technology services to the Group. The service fees were charged with reference to market rates.

(iv) As at 30 June 2022, the Group placed deposits of HK$563 million (31 December 2021: HK$595 million) with China Merchants Group Finance Co., Ltd., a subsidiary of CMG which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are included in cash and bank balances.

Interest income was charged at interest rates ranging from 1.61% to 2.10% (2021: from 1.61% to 2.03%) per annum.

(v) Interest income was charged at interest rates ranging from 4.75% to 6% (2021: 4.75% to 6%) per annum on the outstanding loan to associates and 0.5% plus the weighted average of the interest rates applicable under certain facilities provided to the joint venture per annum on the outstanding loan to a joint venture.

(vi) As at 30 June 2022, the Group placed deposits of HK$2,025 million (31 December 2021: HK$1,306 million) with China Merchants Bank Co., Ltd., an associate of CMG.

(vii) Interest expenses were charged at interest rates as specified in note 16 on the outstanding loans from immediate holding company and a fellow subsidiary.

(viii) In previous years, a subsidiary of the Company entered into a transaction with a related party for leasing a parcel of land located in Djibouti. At inception of the lease, the Group had recognised a right-of-use asset amounting to HK$217 million. Lease payment of HK$217 million had been made by the Group during the previous years. As at 30 June 2022, the corresponding carrying amount of the right-of-use asset was HK$211 million (31 December 2021: HK$210 million).

(ix) During the current period, the Group acquired property, plant and equipment of HK$2 million (2021: HK$2 million) from an associate (2021: fellow subsidiaries).

The balances with entities within CMG Group as at 30 June 2022 and 31 December 2021 are disclosed in notes 14, 16 and 17.

Included in these transactions are certain connected transactions or continuing connected transactions entered into by the Group. Other than these transactions, the other transactions as set out in this note 20(a) were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in the Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

(c) Key management compensation

	Six months ended 30 June	
	2022	2021
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**9**	12

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