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

2023
INTERIM REPORT
中期報告

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Corporate Information

BOARD OF DIRECTORS

Mr. Feng Boming[2] *(Chairman)*
(appointed on 24 July 2023)
Mr. Xu Song[1] *(Vice Chairman and Chief Executive Officer)*
Mr. Yim Kong[2] *(Vice Chairman)*
Mr. Lu Yongxin[1] *(Managing Director)*
Mr. Tu Xiaoping[1] *(Chief Financial Officer)*
Mr. Yang Guolin[2]
Mr. Chan Hiu Fung Nicholas[3]
Ms. Chan Yuen Sau Kelly[3] (appointed on 21 March 2023)
Mr. Li Ka Fai David[3]
Mr. Wong Chi Wing[3] (appointed on 24 July 2023)
Ms. Wong Pui Wah[3]
Mr. Deng Renjie[2] (resigned on 24 July 2023)
Mr. Wang Xiufeng[1] (resigned on 24 July 2023)
Mr. Bong Shu Ying Francis[3] (retired on 2 June 2023)

AUDIT COMMITTEE

Mr. Li Ka Fai David[3] *(Chairman)*
Mr. Chan Hiu Fung Nicholas[3]
Ms. Chan Yuen Sau Kelly[3]
Mr. Wong Chi Wing[3]
Ms. Wong Pui Wah[3]

NOMINATION COMMITTEE

Ms. Chan Yuen Sau Kelly[3] *(Chairman)*
Mr. Xu Song[1]
Mr. Chan Hiu Fung Nicholas[3]
Mr. Wong Chi Wing[3]
Ms. Wong Pui Wah[3]

REMUNERATION COMMITTEE

Mr. Chan Hiu Fung Nicholas[3] *(Chairman)*
Mr. Tu Xiaoping[1]
Ms. Chan Yuen Sau Kelly[3]
Mr. Li Ka Fai David[3]
Mr. Wong Chi Wing[3]

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Feng Boming[2] *(Chairman)*
Mr. Xu Song[1]
Mr. Yim Kong[2]
Mr. Lu Yongxin[1]
Ms. Wong Pui Wah[3]

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISER

Allen & Overy

STOCK CODE

00144

REGISTRARS

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

WEBSITE

http://www.cmport.com.hk

Financial Highlights

	For the six months ended 30 June 2023 HK$'million	2022 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	5,805	6,508	(10.8%)
Profit attributable to equity holders of the Company	3,351	4,825	(30.5%)
Non-recurrent (gains)/losses, net of tax[1]	(26)	149	(117.4%)
Recurrent profit	3,325	4,974	(33.2%)
Earnings per share (HK cents)			
Basic	83.69	127.48	(34.4%)
Dividend per share (HK cents)			
Interim dividend	22.00	22.00	—
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	2,397	3,837	(37.5%)

	30 June 2023 HK$'million	31 December 2022 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	172,882	172,155	0.4%
Capital and reserves attributable to equity holders of the Company	96,357	96,969	(0.6%)
Net interest-bearing debts and lease liabilities[2]	25,338	25,850	(2.0%)

	For the six months ended 30 June 2023 HK$'million	2022 HK$'million	Year-on-year changes
Revenue			
Ports operation	5,406	6,172	(12.4%)
Bonded logistics operation	301	254	18.5%
Other operations	98	82	19.5%
Total	5,805	6,508	(10.8%)
EBITDA[3]			
Ports operation	3,184	3,753	(15.2%)
Bonded logistics operation	164	114	43.9%
Other operations	54	37	45.9%
Total	3,402	3,904	(12.9%)
Share of profits less losses of associates and joint ventures	3,057	5,036	(39.3%)
Non-recurrent gains/(losses)	57	(169)	(133.7%)
Corporate function	(175)	(567)	(69.1%)
Finance costs, net	(666)	(808)	(17.6%)
Taxation	(516)	(626)	(17.6%)
Depreciation and amortisation	(1,175)	(1,209)	(2.8%)
Non-controlling interests and holders of perpetual capital securities	(633)	(736)	(14.0%)
Profit attributable to equity holders of the Company	3,351	4,825	(30.5%)

1 For 2023, include net change in fair value of investment properties, net of tax of HK$3 million, and net change in fair value of financial assets at fair value through profit or loss, net of tax of HK$29 million. For 2022, include loss on deemed disposal of partial interest in an associate, net of tax of HK$3 million, net change in fair value of investment properties, net of tax of HK$4 million, and net change in fair value of financial assets at fair value through profit or loss, net of tax of HK$150 million.

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

3 Earnings of the Company and its subsidiaries before finance costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, non-recurrent gains/(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 2023, as global economic uncertainty increased, economic recovery remained sluggish. Geopolitical frictions persisted while high inflation and high inventories inhibited consumer demand in the developed countries. Interest hikes in European countries and the United States slowed down the growth of investment and expansion in emerging markets. China and the United States entered a new round of tug-of-war in the high-tech field. In accordance with the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in July 2023, the global economy was expected to grow by 3.0% in 2023, representing a decrease of 0.5 percentage point as compared with 2022, of which the developed economies were projected to grow by 1.5%, down 1.2 percentage points year-on-year; and the emerging market and developing economies were projected to grow by 4.0%, representing a flat growth as compared with 2022. With reference to the report of the U.S. Department of Commerce, the gross domestic product ("**GDP**") of the United States increased by 2.4% in the second quarter of 2023, higher than 2% in the first quarter. According to the data from the Eurostat, the GDP of the Eurozone increased by 0.3% quarter-on-quarter in the second quarter of 2023, of which the GDP of Germany remained flat quarter-on-quarter and France increased by 0.5% quarter-on-quarter. The economic situation in Japan was relatively complicated. Though some indicators such as industrial output value in June 2023 have rebounded beyond expectations, the economic and financial conditions of Japan remained uncertain. South Korea's economic growth in the second quarter was better than expected with a year-on-year GDP rise of 0.9%, which was the same as the first quarter. In respect of global trade, IMF expected that the global trade growth for 2023 would be 2.0%, down 3.2% year-on-year. Against the backdrop of sluggish commodity consumption, increasing uncertainties in the future geopolitical economic situation, weak productivity growth and more challenging financial environment, enterprises would scale down their investments in production capacity.

In the first half of 2023, confronted with the complex and severe external environment, the general tone of seeking progress while maintaining stability has been adhered to in China and its economy rebounded generally with steady improvement of import and export trade, which met expectations. According to the data from the National Bureau of Statistics of China, the GDP of China for the first half of 2023 amounted to RMB59.30 trillion, representing a year-on-year growth of 5.5% at constant prices. However, with the weak recovery of the world economy, the sluggish investment in global trading, and rising risks of unilateralism, protectionism and geopolitics, the impact of dropping external demand on China's trade was still continuing. According to the statistics of the General Administration of Customs of China, the total value of China's export and import trade amounted to RMB20.1 trillion in the first half of 2023, representing an increase of 2.1% over the corresponding period last year, of which the exports amounted to RMB11.46 trillion, up by 3.7% year-on-year; and the imports amounted to RMB8.64 trillion, down by 0.1% year-on-year. The trade surplus was RMB2.82 trillion, which expanded by 17.4%. In US dollar terms, China's total imports and exports amounted to US$2.92 trillion, down by 4.7%.

The international shipping industry has been so profoundly affected by the reshaping of the global industrial chain and supply chain that there were significant adjustments in route layout. According to the report published by a shipping consultancy Alphaliner, as of the end of July 2023, the Asia-Europe routes deployed by shipping companies increased by 3.4% year-on-year, and the shipping capacity of the Trans-Pacific routes decreased by 19.1% year-on-year. In respect of ports of call, the number of ships calling at the United States ports from China dropped sharply, while more container cargoes arrived at the United States from Vietnam, Mexico and other places. A report published by the Lloyd's List showed the number of cargo originating from China to the United States decreased by 17%, the number of ship calls from China to Vietnam increased by 23%, and the number of ship calls from Vietnam to the United States increased from 44 to 62, representing an increase of 41% since 2022. China's port calls to Mexico increased by 14% year-on-year. The number of Sino-Russian direct ports surged to 342, representing a year-on-year increase of 88%.

With increasing uncertainties in the container shipping market in 2023, the supply and demand fundamentals were cautiously optimistic and international shipping prices dropped rapidly, then hovering at low levels. On the supply side, the shipping market entered a new round of shipping capacity delivery period and the average time of berthing at port continued to be shortened. The idle capacity of container vessels accounted for approximately 4.4%. On the demand side, a shipping consultancy Drewry expected that the growth rate of global port throughput would be approximately 1% in 2023. With the decrease in freight rates, the shipping companies were committed to cost control and business diversification to ensure revenue, including optimising fleet capacity, reducing charter costs, slow navigation, as well as extending to both ends of the shipping and logistics chains and carrying out investment in the zero-carbon field and etc.

Affected by the global economic and trade and international shipping industries, the growth of the global port industry was sluggish as a whole, with major hub ports experiencing different levels of decline in the container volume. The shipping consultancy Drewry expected that the global port throughput would grow by 1% in 2023, and by 3% from 2024 to 2027. The data from the shipping consultancy Alphaliner showed that the world's top 20 ports achieved a total container throughput of 83.43 million twenty-foot equivalent unit ("**TEU**"), down by 11.7% year-on-year in the first quarter of 2023. Apart from positive growth of Dubai in the Middle East and Busan in Northeast Asia, all other regional ports decreased in varying degrees. Among them, the ports in the Greater China region achieving throughput of 51.54 million TEUs, down 0.25% year-on-year; ports in Southeast Asia achieving throughput of 11.07 million TEUs, down 2.0% year-on-year; and ports in Europe and North America achieving throughput of 6.33 million TEUs and 5.35 million TEUs respectively, representing year-on-year declines of 8.8% and 29.9%. In contrast, the main indicators of China's port industry performed well in the first six months of the year. According to the data published by the Ministry of Transport of China, the accumulated cargo throughput handled by ports in Mainland China in the first six months of 2023 totaled 8,189 million tonnes, representing a year-on-year increase of 8.0%. Its accumulated container throughput was 149.19 million TEUs, representing an increase of 4.8% year-on-year, of which the coastal ports handled the accumulated cargo throughput of 5,332 million tons, representing a year-on-year increase of 7.3%; its accumulated container throughput of 130.88 million TEUs, representing a year-on-year increase of 4.2%.

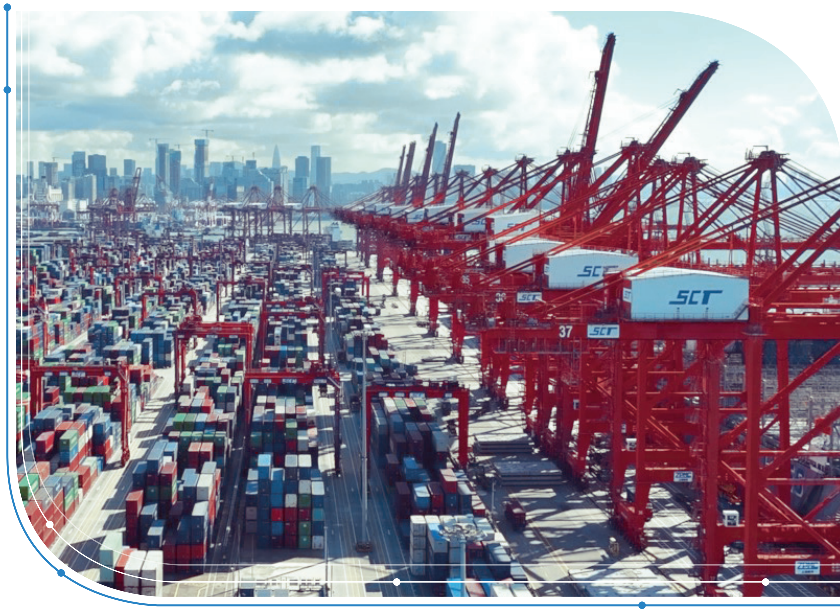
BUSINESS REVIEW

Ports operation

In the first half of 2023, the port business was in line with the general trend of the industry and increased its market share in major regions. The Group's ports handled a total container throughput of 66.50 million TEUs, up by 0.3% year-on-year. Among which, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 49.96 million TEUs, representing an increase of 1.2% year-on-year, which was mainly driven by the Yangtze River Delta region and the Bohai Rim region. A total container throughput handled by the Group's overseas ports decreased by 2.1% year-on-year to 16.54 million TEUs. Bulk cargo volume handled by the Group's ports increased by 0.2% year-on-year to 270 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 267 million tonnes, representing an increase of 0.3% year-on-year.

The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2023 is as below:

Container Terminals	For the six months ended 30 June 2023 thousand TEUs	2022 thousand TEUs	Year-on-year Changes
Mainland China, Hong Kong and Taiwan	**49,960**	49,391	1.2%
Pearl River Delta region	**7,937**	9,117	(12.9%)
West Shenzhen Port Zone	**5,529**	5,983	(7.6%)
China Merchants Container Services Limited and Modern Terminals Limited	**1,973**	2,501	(21.1%)
Chu Kong River Trade Terminal Co., Limited	**435**	423	2.8%
Guangdong Yide Port Limited	**0**	210	(100.0%)
Yangtze River Delta region	**25,135**	24,273	3.6%
Shanghai International Port (Group) Co., Ltd.	**23,735**	22,546	5.3%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	**1,400**	1,727	(18.9%)
Bohai Rim region	**14,627**	13,436	8.9%
Liaoning Port Co., Ltd.	**5,334**	4,685	13.9%
Qingdao Qianwan United Container Terminal Co., Ltd.	**5,237**	4,432	18.2%
Tianjin Port Container Terminal Co., Ltd.	**4,056**	4,319	(6.1%)
Others	**2,261**	2,565	(11.9%)
Shantou China Merchants Port Group Co., Ltd.	**725**	744	(2.6%)
Zhangzhou China Merchants Port Co., Ltd.	**159**	136	16.9%
Zhanjiang Port (Group) Co., Ltd.	**559**	589	(5.1%)
Kao Ming Container Terminal Corp.	**818**	1,096	(25.4%)
Other locations	**16,537**	16,887	(2.1%)
Colombo International Container Terminals Limited	**1,590**	1,617	(1.7%)
TCP Participações S.A.	**571**	562	1.6%
Lomé Container Terminal S.A.	**807**	716	12.7%
Tin-Can Island Container Terminal Ltd.	**141**	136	3.7%
Port de Djibouti S.A.	**366**	303	20.8%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	**679**	613	10.8%
Terminal Link SAS	**12,383**	12,940	(4.3%)
Total	**66,497**	66,278	0.3%



Pearl River Delta region

The region was subject to the significant impact by foreign trade and industrial structure, and the container business has been on a downward trend with the market. The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 5.53 million TEUs, down by 7.6% year-on-year, which was affected by overall downturn of the regional market; and handled a bulk cargo volume of 4.24 million tonnes, up by 6.2% year-on-year. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 0.44 million TEUs, up by 2.8% year-on-year; and handled a bulk cargo volume of 1.68 million tonnes, representing a decrease of 8.5% year-on-year, which was mainly due to the import decline as a result of market environment and policy factors. China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 1.97 million TEUs, down by 21.1% year-on-year, which was mainly affected by lower import and export demand in Europe and the United States.

Yangtze River Delta region

The regional business steadily improved and the hinterland industry has seen better resilience. Shanghai International Port (Group) Co., Ltd. handled a container throughput of 23.74 million TEUs, up by 5.3% year-on-year; and handled a bulk cargo volume of 42.39 million TEUs, up by 40.8% year-on-year, which was mainly due to a lower base resulting from the impact of the pandemic during the same period of 2022. Ningbo Daxie China Merchants International Terminals Co., Ltd. ("**Ningbo Daxie**") handled a container throughput of 1.40 million TEUs, down by 18.9% year-on-year, which was mainly attributed to a higher base resulting from excess increment from regional terminals in the same period of 2022.

Bohai Rim region

Regional divergence was greater with container and bulk cargoes performing differently. In the first half of 2023, Liaoning Port Co., Ltd. handled a container throughput of 5.33 million TEUs, up by 13.9% year-on-year, which was mainly benefitted from the recovery of international shipping routes; and handled a bulk cargo volume of 119.11 million tonnes, down by 6.7% year-on-year, which was mainly affected by the adjustment of goods structure and the lower import demand of raw materials. Through enhancement of regional coordination and newly added shipping routes, Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 5.24 million TEUs, representing an increase of 18.2% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 6.85 million tonnes, representing a decrease of 20.7% year-on-year, which was mainly due to the sluggish regional markets. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 38.45 million tonnes, down by 0.5% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 4.06 million TEUs, representing a decrease of 6.1% year-on-year, which was mainly affected by the decrease in international cargoes.

South-East region of Mainland China

Container business of foreign trade was weaker than that of domestic trade, and bulk cargoes business experienced staged opportunities. Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.73 million TEUs, down by 2.6% year-on-year, mainly due to reduced container throughput of foreign trade; and handled a bulk cargo volume of 2.54 million tonnes, up by 67.9% year-on-year, which was mainly benefitted from the increase in the import of foreign trading coal. Owing to the business growth brought about by further tapping into laden containers resources of domestic trade in hinterland and newly added shipping routes, Zhangzhou China Merchants Port Co., Ltd. located in the Xiamen Bay Economic Zone handled a container throughput of 0.16 million TEUs, increased by 16.9% year-on-year, while its bulk cargo volume increased by 1.2% year-on-year to 4.45 million tonnes. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 2.81 million tonnes, down by 12.6% year-on-year, which was affected by the decrease in market demand of the principal sandstone business.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.56 million TEUs, down by 5.1% year-on-year; and handled a bulk cargo volume of 44.41 million tonnes, up by 3.0% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung, Taiwan handled a total container throughput of 0.82 million TEUs, representing a decrease of 25.4% year-on-year, which was mainly due to the decrease in transshipment business.

Overseas operation

In the first half of 2023, overseas container business basically remained stable, with outstanding performance in port projects in emerging markets. TCP Participações S.A. ("**TCP**") in Brazil handled a container throughput of 0.57 million TEUs, up by 1.6% year-on-year. Container throughput handled by Lomé Container Terminal S.A. in Togo increased by 12.7% year-on-year to 0.81 million TEUs, which was mainly benefitted from the increase in the import and export cargoes. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.14 million TEUs, representing an increase of 3.7% year-on-year. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.37 million TEUs, up by 20.8% year-on-year, which was mainly benefitted from the adjustment of import goods structure in Ethiopia; and handled a bulk cargo volume of 1.88 million tonnes, down by 21.0% year-on-year, which was affected by the decrease in import of grains by the Ethiopian government. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.68 million TEUs, representing a growth of 10.8% year-on-year, which was mainly benefitted from the increase in shipping routes; bulk cargo volume handled was 0.19 million tonnes, up by 430.6% year-on-year, which was mainly due to the increase in the construction materials business. Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka handled a container throughput of 1.59 million TEUs, down by 1.7% year-on-year. Hambantota International Port Group (Private) Limited ("**HIPG**") handled a bulk cargo volume of 0.73 million tonnes, down by 8.3% year-on-year, which was affected by the decrease in the demand of construction materials; and its RORO terminal handled 319,000 vehicles, up by 19.9% year-on-year, which was mainly benefitted from the growth of transshipment business brought about by the new shipping routes. Terminal Link SAS handled a container throughput of 12.38 million TEUs, down by 4.3% year-on-year, which was mainly due to the impact of the decrease in the consumption demand in European markets as well as the Russia-Ukraine conflict.

Strategic deployments in the ports operation

In the first half of 2023, the Group constantly adhered to the general principle of seeking progress while maintaining stability. It took initiatives to respond to the global economic downturn and shrinking demand, persistently focused on "endogenous growth" and "innovation and upgrade", captured the opportunities amidst the complex economic and trade landscape and fully implemented the development measures to ride through the roughness and retain growth. The quality and efficiency were improved to promote development while steadily supporting world-class and high-quality construction. The Group achieved 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 were three highlights in the Group's business operation. Firstly, despite a slowdown in global trade growth, the production and operation of the Group showed a trend of steady progress with prospects of improvement. The two homebase ports in West Shenzhen Port Zone and Sri Lanka continued to strengthen their regional positions, while the overseas homebase port in Sri Lanka extended the business value chain. Secondly, the Group's comprehensive service platform, namely "CM ePort 3.0", was officially launched in some ports and terminals and was in sound operation. The Group would continue to expand the scope of online services and continuously improve the comprehensive port service level in the future. Thirdly, the Group actively improved the customer service quality, promoted innovative business model, and strived for further increase in market share so as to strengthen its regional market position.

As for homebase port construction, owing to the decline in overall container throughput in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**"), the West Shenzhen homebase port consolidated and further increased its foreign trade market share by adjusting its competitive strategy. While continuing to promote the upgrading of its hardware of the transportation and distribution infrastructure, the West Shenzhen homebase port achieved the trial run of 200,000-tonne vessel night navigation of Tonggu Channel. Sri Lanka's homebase port continued to carry out the construction of an international shipping centre in South Asia. CICT continuously optimised its route layout, with a steady increase in market share in Colombo and continued to maintain its dominant position. It steadily promoted the project of South Asia Commercial and Logistics Hub and forged the unique competitiveness of providing comprehensive services with a view to create a new development momentum of "port + logistics centre". HIPG strengthened the market expansion with the transshipment business such as roll-on and roll-off, liquefied petroleum gas and fuel oil recorded higher growth. The Group optimized operation model through strengthening market expansion and improving communication with customers.

Regarding overseas business, the Group kept abreast of changes in the global economy and trade environment, stayed in line with the trends in the port and shipping logistics industry, stabilized the existing overseas business, and actively explored the business expansion in Southeast Asia and further improved the global port network layout by leveraging the promising outlook brought by Regional Comprehensive Economic Partnership (RCEP).

In terms of innovative development, regarding the digital system, the Group increased investment in scientific and technological research and development, steadily implemented the major task of upgrading the "CTOS" structure of the container terminal operating system of the Ministry of Transport, continued to optimise the technology solution of automated driving hybrid, accelerated the product research and development and promotion coverage of the "China Merchants ePort 3.0" comprehensive service platform, and continuously promoted the management downward of the Smart Management Platform ("**SMP**"). In the first half of 2023, the "5G Mawan Smart Port Project" was selected as the first batch of pilot application excellent cases and solutions in Shenzhen. On 12 August 2023, China Merchants International Technology Company Limited, an associate company of the Group, was entitled the first prize of Science and Technology Progress Award for the "Electronic Import Order Platform Project of Shenzhen Western Terminal based on Alliance Chain and Cloud Technology" by the China Federation of Logistics & Purchasing.

In pursuit of comprehensive development, the Group was committed to improving the global network layout and business synergies for overseas projects, strengthening overseas trade as a starting point, and joining hands with overseas parks to carry out professional promotion in areas with advantageous industries in China. As of the end of June 2023, 48 contracted enterprises moved into the HIPG industrial zone, including park in park, cement plants, duty-free shops, petrochemical and other industries. The industrial layout was further broadened, while the cooperative development with the ports was enhanced. Furthermore, 332 contracted enterprises moved into the Djibouti International Free Trade Zone, having increased by 45 enterprises as compared with the beginning of the year. Relying on the port and park resources at home and abroad, the Group leveraged the advantages of the platform of the "Made by Liaocheng" Djibouti Free Trade Zone exhibition center, actively developed the park ecosystem, opened channels for commodities to and from the ports, and facilitated the upstream and downstream extension of the value chain.

In respect of operation management, the Group leveraged on SMP to build a one-stop integrated management platform to support the business analysis of container, bulk cargo, logistics parks, comprehensive development and smart technology. With digital technology as the key force, the Group made use of the smart tools to drive the reform of its operation and management methods, models and concepts. At present, the Group has basically realised the collection and management of full life-cycle information of assets, as well as the standardisation and online operation of major business processes. In addition, the Group also optimised the engineering management system and established an engineering management centre to carry out work. The Group kept on optimising profitability and continuously initiated measures to improve quality and efficiency. The business financial analysis framework was improved and reshaped, while the growth of costs and expenses was strictly controlled. By deepening the cost control to form a normalised mechanism for cost reduction and efficiency enhancement, the Group has achieved phased results on its lean operation.

Regarding capital operation, the Group focused on improving asset quality and asset structure, and strengthening the capital operation. The Group took various measures to increase the value of its existing assets. In the first half of 2023, the Group announced the disposal of 45% equity interests in Ningbo Daxie to Ningbo Zhoushan Port Company Limited at a consideration of RMB1,845 million. This would enable the Group to better utilize its existing assets, realize asset value and optimize the regional layout, which were in line with the Group's development strategy.

As for marketing and commerce, the Group promoted the internal business synergies of the Greater Bay Area, creating high-quality shipping routes with "Customized Terminal Services", and actively expanding the Southeast Asia shipping routes. The coordinated ports business in the Greater Bay Area continued to advance, and the business landscape covered all major regions in Guangdong Province. In the first half of 2023, the Group set up 5 new locations, reaching a total of 30 locations. In the first half of 2023, the accumulated container throughput was 140,000 TEUs and a total of 400,000 TEUs handled since the operation of the coordinated ports, serving nearly 6,000 import and export enterprises. As for overseas ports, the market share of TCP in Brazil further increased while the RORO business of HIPG in Sri Lanka further secured its leading position in the regional market.

Bonded logistics operation

In the first half of 2023, the Group's bonded logistics business continued to uphold the development direction of enriching the integrated service ecosystem, strengthening strategic leadership, seizing market opportunities, extending the scope of business services, and enhancing synergistic development. The overall production and operation showed a positive trend. China Merchants Bonded Logistics Co., Ltd. in Shenzhen proactively expanded new customers and modes of operation, and the average utilization rate of warehouse reached 98%. China Merchants International Terminal (Qingdao) Co., Ltd, focused on the development of the rubber industry. It achieved diversified self-operated business and stabilized the operating business of the park. Accordingly, the average utilization rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., an associate of the Group, recorded an average utilization rate of 100% of its warehouse. In the Djibouti International Free Trade Zone, the average utilization rate of the bonded warehouse wholly-owned by the Group was 100%.

In the first half of 2023, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.62 million tonnes, down 10.4% year-on-year. Asia Airfreight Terminal Company Limited, which is a joint venture of the Group, handled a total cargo volume of 0.30 million tonnes, representing a decrease of 19.1% year-on-year and a market share of 18.7%, down by 2 percentage points as compared with the corresponding period last year.

FINANCIAL REVIEW

In the first half of 2023, the operating results of the Group were affected by the translation effect arising from the depreciation of Renminbi, which was mainly reflected in items such as revenue, costs and share of profits of associates and joint ventures. Coupled with the impact of the decline in business volume of ports in Mainland China, the Group's revenue for the six months ended 30 June 2023 amounted to HK$5,805 million, a year-on-year decrease of 10.8%. In addition, due to a year-on-year decrease in share of profits of associates and joint ventures, profit attributable to equity holders of the Company and recurrent profit[Note 1] decreased to HK$3,351 million and HK$3,325 million respectively, representing year-on-year decreases of 30.5% and 33.2%.

Total assets of the Group slightly increased by 0.4% from HK$172,155 million as at 31 December 2022 to HK$172,882 million as at 30 June 2023. The total liabilities of the Group increased by 1.9% from HK$49,579 million as at 31 December 2022 to HK$50,510 million as at 30 June 2023. As at 30 June 2023, net assets attributable to equity holders of the Company was HK$96,357 million, slightly down by 0.6% as compared to that as at 31 December 2022. This was mainly attributed to the losses on retranslation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains/losses after tax. Non-recurrent gains/losses include: for the first half of 2023, net change in fair value of financial assets at fair value through profit or loss and net change in fair value of investment properties; while for the first half of 2022, net change in fair value of financial assets at fair value through profit or loss, net change in fair value of investment properties and loss on deemed disposal of partial interest in an associate.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar, Brazilian Real or other currencies and any exchange difference so arising from retranslation of these financial statements was 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 2023, the Group's net cash inflow from operating activities amounted to HK$2,397 million, a decrease of 37.5% as compared with the corresponding period last year, among which, the receipt of cash dividends from associates and joint ventures were HK$551 million, a decrease of 23.0% as compared with the corresponding period last year. Due to the decrease in capital expenditure on business acquisitions as compared to the same period last year, the Group's net cash outflow from investing activities decreased from HK$1,952 million for the same period last year to HK$1,053 million for the current period. At the same time, the Group's net outflow of proceeds from new borrowings and repayments of borrowings decreased as compared with that for the same period last year. The Group's net cash outflow from financing activities decreased from HK$2,717 million for the same period last year to HK$2,266 million for the current period.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2023, the Group had approximately HK$8,430 million in cash and bank balances, 2.3% of which was denominated in Hong Kong dollar, 28.5% in United States dollar, 57.8% in Renminbi, 8.7% in Euro, 2.3% in Brazilian Real and 0.4% 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$2,397 million in total.

During the period, the Group incurred capital expenditure amounting to HK$447 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$15,912 million, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

SHARE CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2023, the Company had 4,003,383,046 shares in issue. In July 2023, the Company issued 127,597,960 shares under the Company's scrip dividend scheme.

As at 30 June 2023, the Group's net gearing ratio[Note 2] was approximately 20.7%.

The Group had aggregate bank loans, notes payable and perpetual capital securities of HK$22,668 million as at 30 June 2023 that contain customary cross default provisions.

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

As at 30 June 2023, the Group's outstanding bank and other borrowings amounted to HK$32,806 million (as at 31 December 2022: HK$34,529 million). The analysis is as below:

	30 June 2023 HK$'million	31 December 2022 HK$'million
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	5,057	7,867
Between 1 and 2 years	416	592
Between 2 and 5 years	5,150	4,043
More than 5 years	1,866	627
	12,489	13,129
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	—	224
Between 2 and 5 years	27	28
	27	252
Notes payable which are repayable:		
In 2023	7,048	7,008
In 2025	3,909	3,890
In 2027	3,904	3,885
In 2028	4,663	4,638
	19,524	19,421
Loans from fellow subsidiaries which are repayable as follows (Note):		
Within 1 year	605	4
Between 1 and 2 years	—	217
More than 5 years	161	48
	766	269
Loan from immediate holding company		
Repayable within 1 year	—	1,458

Note: All loans are unsecured except for the secured loans from banks and a fellow subsidiary of HK$1,986 million (31 December 2022: HK$1,241 million).

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

	Bank loans HK$'million	Notes payable HK$'million	Loans from fellow subsidiaries HK$'million	Loan from immediate holding company HK$'million	Total HK$'million
As at 30 June 2023					
HKD & USD	**2,031**	**19,524**	**384**	—	**21,939**
RMB	**10,191**	—	**382**	—	**10,573**
EURO	**196**	—	—	—	**196**
Brazilian Real	**98**	—	—	—	**98**
	12,516	**19,524**	**766**	—	**32,806**
As at 31 December 2022					
HKD & USD	1,721	19,421	—	—	21,142
RMB	10,950	—	269	1,458	12,677
EURO	381	—	—	—	381
Brazilian Real	329	—	—	—	329
	13,381	19,421	269	1,458	34,529

ASSETS CHARGE

As at 30 June 2023, loans from banks and a fellow subsidiary of HK$1,790 million (31 December 2022: HK$313 million) in total borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$452 million and right-of-use assets with carrying value of HK$35 million (31 December 2022: secured by right-of-use assets with carrying value of HK$37 million). In addition, the entire shareholdings in a subsidiary indirectly (31 December 2022: two subsidiaries directly or indirectly) held by the Company were pledged to various banks for bank loans of HK$196 million (31 December 2022: HK$928 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 2023.

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 2023.

EMPLOYEES AND REMUNERATION

As at 30 June 2023, the Group employed 8,407 fulltime staff, of which 159 worked in Hong Kong, 5,248 worked in Mainland China, and the remaining 3,000 worked overseas. The remuneration paid by the Group during the period amounted to HK$1,036 million, representing 27.1% of the total operating expenses of the Group.

During the first half of 2023, the Group addressed the challenges brought by various uncertainties in an active manner. In order to achieve high-quality development and to become a global leading comprehensive port service provider, the Group adhered to the people-oriented philosophy and implemented numerous measures simultaneously, generating new vitality and enhancing new momentum.

The Group implemented a market-based talent selection and employment mechanism, and established a hierarchical, categorized, and market-based open recruitment mechanism, ensuring that the process was fair, open and impartial. By exploring the internal talent market operation mechanism, the Group revitalized the internal talent resources, and broadened the talent cultivation and development path. The Group insisted on meritocracy and performance oriented, in order to deepen the tenure system and contract-based management for each level of the management personnel, thus realizing the full coverage of the system, rigorous examination and solid commitment. The Group enhanced the exchange offered through job rotation, especially the cultivation and appointment of outstanding young leaders. The Group also focused on the internationalized talents and sorted out the key overseas positions and key talents in order to implement specific cultivation and precise motivation. The Group strengthened the steering effect of remuneration incentive, which was implemented with benchmarking of business performance and remuneration, attached equal importance to incentives and restraints, strengthening the analysis on human resources efficiency and optimizing the resources allocation, thereby implementing the "rigorous motivation and rigid constraints" that enable the income can be adjusted upward and downward. The Group continuously promoted the establishment of motivation mechanism, integrating both short-term motivation and mid-to long-term motivation, and exploring the establishment of technological innovated talent motivation mechanism, thus forming a mechanism of sharing both interests and risks by shareholders, employees and the Group.

SUSTAINABLE DEVELOPMENT

In response to the nation's call for green and sustainable development, the Group has set its goal of "building a world's leading green and smart port with high quality". The Group also undertook the corporate responsibilities towards stakeholders such as shareholders, employees and business partners, and to propel both the enterprises and the society towards the sustainable development together.

First, the Group strengthened the environmental management. The Group actively responded to the national "3060" dual carbon target (that is, "carbon peak" and "carbon neutrality"), and the development strategy of low-carbon transformation, in which works on conserving energy, reducing emission and addressing climate change were carried out properly in terminal construction, production and operation at domestic and overseas. In the meantime, the Group strengthened the resource conservation and ecological protection and management, in an attempt to minimize the effect of business operation on the environment and natural resources. On energy conservation and emission reduction front, the Group commenced projects like "Shore-Powered Supply for Vessels", "New Energy Truck", "Electrification of RTG" and "Energy-saving Lighting Renovation" in an active manner. While on the front on addressing climate risk, the Group progressively considered to incorporate risks arising from climate changes into the internal general risk assessment and management systems and strengthened the measures for addressing climate risks through setting up indicators, goals and transformation plans related to dual-carbon targets. On the front of conserving resources, the Group incorporated the rationale of resources conservation into its daily operation from the perspectives of water saving, electricity saving and paperless office. On the front of ecological protection, the Group strived to minimize its impact to the ecosystem as much as possible, and assessments were made in strict compliance with the relevant requirements in terms of site selection and their environmental impacts.

Second, the Group promoted the upgrades on digitalization. The Group insisted on empowering and facilitating the enhancement of operating capability through technology. For the areas of technology research and development, production efficiency, safety supervision, integration of business and finance, management and control of cost, the Group utilized applications such as "CMCore", "CM ePort", automation technology, intelligent border ports, 5G applications, blockchain, Beidou system, artificial intelligence to promote the comprehensive construction of port digitalization, and accelerated the construction progress of smart and green ports, thus promoting the high quality development of regional leading ports.

Third, the Group insisted on performing its social responsibility. Upholding the concept of integration for mutual benefit, the Group focused on the needs of the community where it operates, and integrated into the culture where it operates and provided assistance to the sustainable development of the local community through community interest fields such as talent cultivation, educational and medical support, livelihood and relief, children care, rural revitalization, etc. from time to time. The Group continued to develop the "C-Blue Global Philanthropic Mission" charity brand. During the first half of 2023, the Tenth "C-Blue Training Program" was commenced successfully, which provided a platform for exchange and learning for young talents from the global port industry. The Group also vigorously developed the "C-Blue Rural Education" project, carrying out "2023 C-Blue Lianping Growth Camp", "C-Blue Weining Growth Camp" and "C-Blue Summer Camp for Children (Innovation and Upgrade)", which provided assistance to and helped rural schools with education improvement in order to facilitate a fair and balance development of education. In overseas areas, the Group continued to promote the "C-Blue Hope Village" project in Sri Lanka.

FUTURE PROSPECTS

As the second half of 2023 approaches, with the risk of global economic growth still tending to decline, more economies may fall into sovereign debt predicament if more shocks take place, including the intensified Russia-Ukraine conflicts and the impact of extreme weather, inflation might stay high or even go up, which can lead to further tightening of monetary policy. Nevertheless, the possibility of a more favorable outcome for global growth is also rising, with core inflation likely to decline faster than expected, thereby reducing the need to implement tighter monetary policies. IMF predicted that the global economy would record a 3.0% growth in 2023, a decrease of 0.5 percentage point as compared to that of in 2022. Among which, the growth rate of emerging market and developing economies was expected to be generally stable at 4.0% in 2023 and 4.1% in 2024; in particular, the predicted value for 2023 was upward by 0.1 percentage point and for 2024 was downward by 0.1 percentage point. The total global trade volume (including goods and services) was expected to grow at 2.0% in 2023 and 3.7% in 2024; which showed a reduction of 0.4 percentage point from the April predicted value for 2023 and an increase of 0.2 percentage point for 2024.

In the second half of 2023, the contraction of China's real estate industry may be more intense beyond expectations while the lack of its confidence will lead to weaker consumption than expected. In response to the decline in local government tax revenues, fiscal policy may be tightened. All of these uncertainties will put pressure on China's economic growth. However, there is still great resilience for the development of China's import and export. The international market demand may surpass expectations and consumption growth may further release potential. The acceleration in the development of digitalisation will continue, and the development trend of the green economy will further strengthen, thus technological innovation will become an important driving force for the economic development of China. In the next phase, the Chinese government will continue to adhere to the general tone of making progress while maintaining stability, will exert efforts on changing methodology, adjusting structure and injecting momentum and strive for promoting its economy to achieve an effective enhancement in quality and a reasonable growth in quantity.

Based on the above analysis and judgements, in the second half of 2023, the Group will adhere to the keynote of seeking progress while maintaining stability, tapping the new trends and implementing the new concepts. The Group will steadily promote the world-class construction with high quality and enhance the comprehensive service capabilities of supply chain. The Group will strive to realize its strategic goal of becoming a "world's leading comprehensive port service provider" with high quality by well-performing on digitalization, marketization, internationalization, platformization and refinement.

With respect to the construction of homebase ports, the West Shenzhen Port Zone will strictly adhere to the strategic goal of strong transportation country. The Group will continue to promote the construction of leading port, including the continuous optimization of cargo transportation system of West Shenzhen homebase port, the enhancement of container handling capacity, improving the waterway channel condition, with an aim to, creating favorable conditions for the continuous strengthening and expansion of West Shenzhen homebase port.

In respect of overseas business, the Group will continue to optimize its overseas presence, as well as stabilize the development of overseas business, strengthen the business expansion, and enhance the geographical advantage of each overseas terminals. The Group will also improve the establishment of overseas management and control system through optimizing the management systems of overseas projects. In face of the current complicated international situation, the Group will deeply focus on key overseas area and continue to pay attention to the regional situation, thus exploring new investment opportunities.

In terms of comprehensive development, the Group will keep abreast of the change in the global trade pattern, and focus on business model innovation and comprehensive extension of service value. Through the extension of port ecosystem, the Group will progressively extend to other sectors of the supply chain, in an effort to creating a regional supply chain ecosystem that can match with the port ecosystem.

Regarding innovative development, the Group will stick to innovation-driven development and technology empowerment for industrial transformation and upgrade. To extend the first growth curve, the Group will put greater efforts in making breakthroughs for core technologies with great importance, so as to enhance the quality and efficiency of main business with the aid of technologies. To cultivate the second growth curve, the Group will push forward the innovation of business models and will make its presence in emerging industries and actively explore new technology-related business with high growth, so as to form an investment presence in green ports and smart ports, and transform from "volume economy" into "value economy" with the port-related supply chain services to be developed.

In respect of capital operation, the Group will explore its value through "high quality development", which focuses on exploring core assets values, and devote to enhance the return on investment through reshaping the asset allocation and optimizing the asset portfolio.

In terms of operation management, the Group will continue to optimize the management system for various business lines to enhance its overall operation and management. The Group has optimized the operation and management system and has established a value-oriented management headquarters to facilitate its world-class operation and management system that sustainably creates value to a new level.

With regard to marketing and commerce, the Group will comprehensively extend the services values, take more efforts on the location expansion of the coordinated composition ports, and facilitate the research and development of bonded, commerce and trade related extension platforms. The Group will continue to explore business opportunities, enhance the market competitiveness of new shipping routes, and strengthen the connectivity with shipping companies and enterprises at different levels.

In 2023, the recovery on global economy and trade still face risks such as deflation, geopolitical conflicts, international trade friction, supply chain disruption, etc. The integration of ports worldwide and the inland logistics accelerates, while the construction of automated port is still in the ascendant. With the environmental protection and low carbon requirements on ports become more and more strict, both development opportunities and challenges coexist, and higher requirement is called for the establishment of world leading ports. The Group will persistently uphold the principle of maintaining stability, making progress while maintaining stability. Driven by the dual-wheel model of "endogenous growth" and "innovation and upgrade", with its work centered on the top priority of high quality development, the Group will focus on green, smart and safety development, make efforts on promoting cost reduction and efficiency enhancement, and spare no effort on implementing every development measures in order to make stable progress on becoming a "world's leading comprehensive port service provider with high quality".

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$909 million for the six months ended 30 June 2023 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 (2022: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 22 November 2023 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 4 October 2023 (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 9 October 2023. 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 22 November 2023.

CLOSURE OF REGISTER

The Register of Members will be closed from 28 September 2023 to 4 October 2023 (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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 September 2023.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2023, the interests of the Directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and Share Options in the Company

Name of Director	Capacity	Nature of interest	Number of shares held in the Company	Number of share options granted	Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2023
Mr. Yim Kong	Beneficial owner	Personal interest	7,227	—	0.0002%
Mr. Yang Guolin	Beneficial owner	Personal interest	212,415	—	0.0053%
Mr. Lu Yongxin	Beneficial owner	Personal interest	13,597	—	0.0003%

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 share options granted	Number of share 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 2023
Mr. Xu Song	Beneficial owner	Personal interest	—	240,000[1]	120,000[1]	120,000	0.0048%
Mr. Yim Kong	Beneficial owner	Personal interest	—	102,000[1]	51,000[1]	51,000	0.0020%
Mr. Lu Yongxin	Beneficial owner	Personal interest	—	144,000[1]	72,000[1]	72,000	0.0029%

Notes:

(1) As at 30 June 2023, 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 and Mr. Lu Yongxin 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/). Other than the 120,000 share options granted to Mr. Xu Song, the 51,000 share options granted to Mr. Yim Kong and the 72,000 share options granted to Mr. Lu Yongxin which have been cancelled, none of these share options were exercised, lapsed or cancelled during the reporting period.

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2023, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out 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 2023, 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	2,784,240,299[1,2,3,4]	69.55%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,757,636,299[2]	68.88%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,757,636,299[2]	68.88%
Broadford Global Limited	Interest of Controlled Corporation	1,860,269,436[2]	46.47%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,860,269,436[2]	46.47%
China Merchants Port Investment Development Company Limited	Interest of Controlled Corporation	1,860,269,436[2]	46.47%
CMPG	Beneficial Owner and Interest of Controlled Corporation	1,860,269,436[2]	46.47%
Port Development (Hongkong) Company Limited	Beneficial Owner	1,845,633,260[2]	46.10%
China Merchants Union (BVI) Limited	Beneficial Owner	897,366,863[2]	22.42%
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Interest of Controlled Corporation	3,000,000[3]	0.07%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.07%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000[3]	0.07%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	23,604,000[4]	0.59%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000[4]	0.59%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000[4]	0.59%
China Merchants Investment Development (Hong Kong) Limited	Beneficial Owner	23,604,000[4]	0.59%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878[5]	20.02%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("**CMSN**"), China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("**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 2,784,240,299 shares, which represents the aggregate of 2,757,636,299 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 45.96%-owned by CMPID.

   CMSN is deemed to be interested in 2,757,636,299 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 897,366,863 shares beneficially held by CMU and 1,860,269,436 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 1,860,269,436 shares. Such shares represent the aggregate of 1,845,633,260 shares benefically held by Port Development and 14,636,176 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 ("**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 upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Model Code 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 (the "**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 2023, except the following: -

In respect of code provision F.2.2 under the Corporate Governance Code, Mr. Deng Renjie, the then Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2023 due to business trip. Mr. Yim Kong, the Non-executive Director of the Company and the Vice Chairman of the Board, 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 attended at the annual general meeting of the Company held on 2 June 2023 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 all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2023.

UPDATE ON DIRECTOR'S BIOGRAPHICAL DETAILS

Mr. Feng Boming resigned as the chairman and non-executive director of Sinotrans Limited with effect from 7 July 2023, shares of which are listed on the Shanghai Stock Exchange and the HKSE. He was also appointed as the chairman of China Merchants Energy Shipping Co., Ltd. with effect from 28 July 2023, shares of which are listed on the Shanghai Stock Exchange.

Ms. Chan Yuen Sau Kelly was appointed as the independent non-executive director of Best Mart 360 Holdings Limited with effect from 11 August 2023, shares of which are listed on 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
Feng Boming
Chairman

Hong Kong, 30 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Note	Unaudited **2023** **HK$'million**	 2022 HK$'million
Revenue	5	**5,805**	6,508
Cost of sales		**(3,195)**	(3,400)
Gross profit		**2,610**	3,108
Other income and other gains/(losses), net	7	**123**	(437)
Administrative expenses		**(624)**	(712)
Finance income	8	**228**	210
Finance costs	8	**(894)**	(1,018)
Finance costs, net	8	**(666)**	(808)
Share of profits less losses of			
Associates		**2,909**	4,871
Joint ventures		**148**	165
		3,057	5,036
Profit before taxation		**4,500**	6,187
Taxation	9	**(516)**	(626)
Profit for the period	10	**3,984**	5,561
Attributable to:			
Equity holders of the Company		**3,351**	4,825
Holders of perpetual capital securities		**114**	113
Non-controlling interests		**519**	623
Profit for the period		**3,984**	5,561
Earnings per share for profit attributable to equity holders of the Company	12		
Basic (HK cents)		**83.69**	127.48

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Unaudited 2023 HK$'million	2022 HK$'million
Profit for the period	**3,984**	5,561
Other comprehensive (expense)/income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	**(1,827)**	(4,404)
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of an owner occupied property upon change of use to investment property	**53**	—
Share of other reserves of associates	**137**	81
Total other comprehensive expense for the period, net of tax	**(1,637)**	(4,323)
Total comprehensive income for the period	**2,347**	1,238
Total comprehensive income attributable to:		
Equity holders of the Company	**1,788**	1,055
Holders of perpetual capital securities	**114**	113
Non-controlling interests	**445**	70
	2,347	1,238

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Note	Unaudited 30 June 2023 HK$'million	Audited 31 December 2022 HK$'million
ASSETS			
Non-current assets			
Goodwill		**5,624**	5,613
Intangible assets	13	**8,688**	8,380
Property, plant and equipment	13	**20,917**	24,217
Right-of-use assets	13	**15,058**	16,735
Investment properties	13	**8,102**	8,265
Interests in associates		**75,386**	75,656
Interests in joint ventures		**9,262**	9,319
Other financial assets		**9,996**	8,860
Other non-current assets		**256**	258
Deferred tax assets		**361**	323
		153,650	157,626
Current assets			
Inventories		**187**	175
Other financial assets		**2,374**	2,468
Debtors, deposits and prepayments	14	**3,814**	2,257
Taxation recoverable		**44**	—
Cash and bank balances		**8,430**	9,629
		14,849	14,529
Assets classified as held for sale	21	**4,383**	—
		19,232	14,529
Total assets		**172,882**	172,155

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Note	**Unaudited 30 June 2023 HK$'million**	Audited 31 December 2022 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**46,668**	46,668
Reserves		**48,780**	47,899
Proposed dividend		**909**	2,402
		96,357	96,969
Perpetual capital securities		**6,247**	6,246
Non-controlling interests		**19,768**	19,361
Total equity		**122,372**	122,576
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	16	**20,096**	17,968
Lease liabilities		**917**	885
Other non-current liabilities		**5,201**	4,958
Deferred tax liabilities		**4,342**	4,766
		30,556	28,577
Current liabilities			
Creditors and accruals	17	**3,190**	3,514
Dividend payable to ordinary shareholders of the Company		**2,402**	—
Bank and other borrowings	16	**12,710**	16,561
Lease liabilities		**45**	65
Taxation payable		**866**	862
		19,213	21,002
Liabilities associated with assets classified as held for sale	21	**741**	—
		19,954	21,002
Total liabilities		**50,510**	49,579
Total equity and liabilities		**172,882**	172,155
Net current liabilities		**(722)**	(6,473)
Total assets less current liabilities		**152,928**	151,153

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 31 December 2022 (audited)	46,668	474	49,827	96,969	6,246	19,361	122,576
Adjustments (Note)	—	—	53	53	—	9	62
As at 1 January 2023 (adjusted)	46,668	474	49,880	97,022	6,246	19,370	122,638
COMPREHENSIVE INCOME							
Profit for the period	—	—	3,351	3,351	114	519	3,984
Other comprehensive expense							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	(1,753)	—	(1,753)	—	(74)	(1,827)
Surplus on revaluation of an owner occupied property upon change of use to investment property	—	53	—	53	—	—	53
Share of other reserves of associates	—	137	—	137	—	—	137
Total other comprehensive expense for the period, net of tax	—	(1,563)	—	(1,563)	—	(74)	(1,637)
Total comprehensive (expense)/income for the period	—	(1,563)	3,351	1,788	114	445	2,347
TRANSACTIONS WITH OWNERS							
Transfer to statutory reserve	—	31	(31)	—	—	—	—
Contribution from immediate holding company	—	1	—	1	—	—	1
Share of other changes in equity attributable to equity holders of associates and joint ventures	—	(52)	—	(52)	—	—	(52)
Distribution to holders of perpetual capital securities	—	—	—	—	(113)	—	(113)
Dividends	—	—	(2,402)	(2,402)	—	(47)	(2,449)
Total transactions with owners for the period	—	(20)	(2,433)	(2,453)	(113)	(47)	(2,613)
As at 30 June 2023	46,668	(1,109)	50,798	96,357	6,247	19,768	122,372

Note: The adjustments are related to the Amendments to Hong Kong Accounting Standard ("HKAS") 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*.

The Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2023;

(ii) the Group also; as at 1 January 2023, recognised a deferred tax asset and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 Cash Flows

For the six months ended 30 June 2023

	Unaudited 2023 HK$'million	2022 HK$'million
Cash flows from operating activities		
Net cash inflow from operations	**2,257**	3,608
Tax paid	**(411)**	(487)
Dividends received from associates and joint ventures	**551**	716
Net cash generated from operating activities	**2,397**	3,837
Cash flows used in investing activities		
Placement of other deposits and structured deposits	**(9,159)**	(1,546)
Tax payments relating to resumption of land parcels in previous years	—	(1,145)
Purchase of property, plant and equipment, investment properties and port operating rights	**(378)**	(737)
Proceeds from withdrawal of other deposits and structured deposits	**8,259**	4,121
Interest income received	**225**	163
Investments in associates and a joint venture	—	(2,799)
Other investing cash flows	—	(9)
Net cash used in investing activities	**(1,053)**	(1,952)
Cash flows used in financing activities		
Proceeds from bank loans	**6,054**	9,482
Loan from immediate holding company	—	217
Loans from fellow subsidiaries	**493**	120
Repayment of bank loans	**(6,400)**	(8,038)
Repayment of loans from non-controlling equity holders of subsidiaries	—	(307)
Repayment of loan from immediate holding company	**(1,350)**	—
Repayment of notes payable	—	(6,860)
Net proceeds on issue of notes payable	—	3,916
Interests paid	**(857)**	(764)
Distribution paid to holders of perpetual capital securities	**(113)**	(112)
Other financing cash flows	**(93)**	(371)
Net cash used in financing activities	**(2,266)**	(2,717)
Decrease in cash and cash equivalents	**(922)**	(832)
Cash and cash equivalents at 1 January	**9,625**	9,974
Effect of foreign exchange rate changes	**(139)**	(292)
	8,564	8,850
Cash and cash equivalents at 30 June, represented by		
Cash and bank balances	**8,426**	8,850
Cash and cash equivalents included in assets classified as held for sale	**138**	—
	8,564	8,850

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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 2023 but has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with 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 2022, 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$722 million as at 30 June 2023. 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.

2. BASIS OF PREPARATION (CONTINUED)

The financial information relating to the financial year ended 31 December 2022 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:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2022 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 2023 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 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group's condensed consolidated interim financial information:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as disclosed in the note of the condensed consolidated statement of changes in equity, the application of other new and 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 2022.

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	
	2023	2022
	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	**5,406**	6,172
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	**301**	254
Revenue from contracts with customers	**5,707**	6,426
Gross rental income from investment properties	**98**	82
	5,805	6,508

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 presented 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 and 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
	2023	2022	**2023**	2022
	HK$'million	HK$'million	**HK$'million**	HK$'million
Mainland China, Hong Kong and Taiwan	**3,425**	4,233	**95,310**	102,221
Brazil	**854**	835	**9,411**	8,695
Other locations	**1,526**	1,440	**38,572**	37,527
	5,805	6,508	**143,293**	148,443

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 2023									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
Revenue	1,997	514	39	499	2,357	5,406	301	98	–	5,805
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	760	13	239	31	1,093	2,136	114	46	(187)	2,109
Share of profits less losses of										
– Associates	54	2,389	92	21	125	2,681	8	220	–	2,909
– Joint ventures	–	–	87	2	71	160	(11)	(1)	–	148
	814	2,402	418	54	1,289	4,977	111	265	(187)	5,166
Finance costs, net	(16)	(2)	–	(11)	(59)	(88)	(5)	(10)	(563)	(666)
Taxation	(165)	(113)	(60)	(17)	(123)	(478)	(19)	(19)	–	(516)
Profit/(loss) for the period	633	2,287	358	26	1,107	4,411	87	236	(750)	3,984
Holders of perpetual capital securities	–	–	–	–	–	–	–	–	(114)	(114)
Non-controlling interests	(126)	(62)	–	(16)	(289)	(493)	(26)	–	–	(519)
Profit/(loss) attributable to equity holders of the Company	507	2,225	358	10	818	3,918	61	236	(864)	3,351
Other information:										
Depreciation and amortisation	334	119	1	159	491	1,104	50	9	12	1,175
Capital expenditure	45	23	–	139	216	423	2	22	–	447

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 2022									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
Revenue	2,576	785	41	520	2,250	6,172	254	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)	1,959
Share of profits less losses of										
– Associates	129	3,596	110	32	841	4,708	7	156	—	4,871
– Joint ventures	—	—	64	4	96	164	1	—	—	165
	1,294	3,844	151	66	1,961	7,316	69	193	(583)	6,995
Finance costs, net	(34)	1	—	(13)	(180)	(226)	(7)	(16)	(559)	(808)
Taxation	(259)	(217)	(13)	(17)	(88)	(594)	(11)	(21)	—	(626)
Profit/(loss) for the period	1,001	3,628	138	36	1,693	6,496	51	156	(1,142)	5,561
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(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)	4,825
Other information:										
Depreciation and amortisation	379	121	1	165	469	1,135	53	5	16	1,209
Capital expenditure	308	25	—	53	101	487	24	6	—	517

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 2023									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
ASSETS										
Segment assets (excluding interests in associates and joint ventures)	16,847	2,456	1,219	10,123	36,560	67,205	2,405	8,461	5,375	83,446
Interests in associates	2,937	39,135	4,685	2,909	9,089	58,755	576	16,055	–	75,386
Interests in joint ventures	6	–	2,799	341	5,561	8,707	329	226	–	9,262
Assets classified as held for sale	–	4,383	–	–	–	4,383	–	–	–	4,383
Total segment assets	19,790	45,974	8,703	13,373	51,210	139,050	3,310	24,742	5,375	172,477
Tax recoverable										44
Deferred tax assets										361
Total assets										172,882
LIABILITIES										
Segment liabilities	2,303	–	8	2,248	7,098	11,657	413	556	31,935	44,561
Liabilities associated with assets classified as held for sale	–	741	–	–	–	741	–	–	–	741
Total segment liabilities	2,303	741	8	2,248	7,098	12,398	413	556	31,935	45,302
Taxation payable										866
Deferred tax liabilities										4,342
Total liabilities										50,510

6. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December 2022									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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
ASSETS										
Segment assets (excluding interests in associates and joint ventures)	17,677	6,146	991	10,461	34,811	70,086	2,521	8,612	5,638	86,857
Interests in associates	3,015	38,988	4,805	3,012	9,356	59,176	572	15,908	—	75,656
Interests in joint ventures	6	—	2,801	347	5,496	8,650	440	229	—	9,319
Total segment assets	20,698	45,134	8,597	13,820	49,663	137,912	3,533	24,749	5,638	171,832
Deferred tax assets										323
Total assets										172,155
LIABILITIES										
Segment liabilities	2,728	401	4	1,701	7,007	11,841	527	695	30,888	43,951
Taxation payable										862
Deferred tax liabilities										4,766
Total liabilities										49,579

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

	Six months ended 30 June 2023 HK$'million	2022 HK$'million
Net change in fair value of financial assets at FVTPL	**83**	(144)
Net change in fair value of investment properties	**(6)**	6
Net exchange losses	**(113)**	(463)
Dividend income from equity investments	**87**	92
Government grants	**32**	61
Loss on deemed disposal of partial interest in an associate	**—**	(3)
Others	**40**	14
	123	(437)

8. FINANCE INCOME AND COSTS

	Six months ended 30 June 2023 HK$'million	2022 HK$'million
Finance income from:		
Interest income from bank and other deposits	**99**	74
Interest income from advances to associates	**101**	100
Interest income from advance to a joint venture	**28**	36
	228	210
Interest expense on:		
Bank loans	**(238)**	(180)
Notes payable	**(453)**	(554)
Loans from:		
– a non-controlling equity holder of a subsidiary	**—**	(9)
– fellow subsidiaries	**(10)**	(6)
– immediate holding company	**(12)**	(28)
Lease liabilities	**(25)**	(27)
Others	**(156)**	(214)
Finance costs	**(894)**	(1,018)
Finance costs, net	**(666)**	(808)

9. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2022: 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	
	2023	2022
	HK$'million	HK$'million
Current taxation		
Hong Kong Profits Tax	**2**	5
PRC corporate income tax	**241**	349
Overseas profits tax	**90**	55
Withholding income tax	**97**	114
Deferred taxation		
Origination and reversal of temporary differences	**86**	103
	516	626

10. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	HK$'million	HK$'million
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**1,036**	1,126
Depreciation of property, plant and equipment	**760**	802
Depreciation of right-of-use assets	**260**	269
Amortisation of intangible assets	**155**	138

11. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK$'million	HK$'million
Interim dividend of 22 HK cents (2022: 22 HK cents) per ordinary share	**909**	866

At a meeting held on 30 August 2023, 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 2023.

The amount of interim dividend for 2023 was based on 4,130,981,006 (2022: 3,938,269,512) shares in issue as at 30 August 2023.

Pursuant to the shareholders' approval at the Annual General Meeting held on 2 June 2023, a final dividend of 60 HK cents per ordinary share, totalling HK$2,402 million for the year ended 31 December 2022 was declared. In July 2023, the Company issued 127,597,960 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 2023	2022
Basic		
Profit attributable to equity holders of the Company (HK$'million)	**3,351**	4,825
Weighted average number of ordinary shares in issue	**4,003,383,046**	3,785,619,729

No diluted earnings per share for both six months ended 30 June 2023 and 2022 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 2023				
Net book value as at 1 January 2023	**8,380**	**24,217**	**16,735**	**8,265**
Exchange adjustments	**413**	**(140)**	**(118)**	**(248)**
Additions	**50**	**326**	**19**	**1**
Decrease in fair value	—	—	—	**(6)**
Disposal	—	**(15)**	**(31)**	—
Transfer	—	**(11)**	**(8)**	**90**
Transfer to assets classified as held for sale	—	**(2,700)**	**(1,279)**	—
Depreciation and amortisation	**(155)**	**(760)**	**(260)**	—
Net book value as at 30 June 2023	**8,688**	**20,917**	**15,058**	**8,102**
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

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2023 HK$'million	31 December 2022 HK$'million
Trade debtors from contracts with customers, net (Note (a))	**1,477**	928
Amounts due from fellow subsidiaries (Note (b))	**70**	33
Amount due from immediate holding company (Note (b))	**141**	148
Amounts due from associates (Note (b))	**84**	72
Dividend receivables	**1,476**	398
	3,248	1,579
Other debtors, deposits and prepayments	**566**	678
	3,814	2,257

Notes:

(a) The Group has a credit policy of allowing an average credit period of 90 days (31 December 2022: 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 2023 HK$'million	31 December 2022 HK$'million
0 - 90 days	**1,343**	871
91 - 180 days	**105**	33
181 - 365 days	**10**	15
Over 365 days	**19**	9
	1,477	928

(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	
	2023	2022	**2023**	2022
			HK$'million	HK$'million
Issued and fully paid:				
As at 1 January and 30 June	**4,003,383,046**	3,785,619,729	**46,668**	44,017

16. BANK AND OTHER BORROWINGS

	30 June 2023 HK$'million	31 December 2022 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	**3,715**	6,020
– fixed rate	**—**	224
Unsecured long-term fixed rate bank loans	**27**	28
Long-term variable rate bank loans		
– unsecured	**7,172**	5,868
– secured (Note (a))	**1,602**	1,241
	12,516	13,381
Loans from fellow subsidiaries (Notes (a) and (b))	**766**	269
Loan from immediate holding company (Note (c))	**—**	1,458
Notes payable (Note (d))		
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	**7,048**	7,008
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	**3,909**	3,890
– US$500 million, 4% guaranteed listed notes maturing in 2027	**3,904**	3,885
– US$600 million, 5% guaranteed listed notes maturing in 2028	**4,663**	4,638
	19,524	19,421
Total	**32,806**	34,529
Less: amounts due within one year included under current liabilities	**(12,710)**	(16,561)
Non-current portion	**20,096**	17,968

16. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 30 June 2023 and 31 December 2022, the following assets are pledged against the Group's secured loans from banks and a fellow subsidiary:

	30 June 2023 HK$'million	31 December 2022 HK$'million
Property, plant and equipment	452	—
Right-of-use assets	35	37
	487	37

In addition to the above, the entire shareholdings in a subsidiary indirectly (31 December 2022: two subsidiaries directly or indirectly) held by the Company as at 30 June 2023, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) Included in the amount of loan from a fellow subsidiary of HK$382 million (31 December 2022: HK$269 million) is from a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are unsecured, interest-bearing at 1.20% to 3.20% per annum.

Included in the amount of loan from another fellow subsidiary of HK$384 million (31 December 2022: nil) is secured and interest bearing at 3% plus the 3-month term secured overnight financing rate per annum.

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

(d) Listed notes issued by subsidiaries of the Company of HK$19,524 million (31 December 2022: HK$19,421 million) are secured by corporate guarantees provided by the Company.

The fair values of the listed notes payable as at 30 June 2023 was HK$19,350 million (31 December 2022: HK$19,207 million). Other than the listed notes payable, the carrying amounts of the bank and other borrowings approximate their fair values as at 30 June 2023 and 31 December 2022.

(e) 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.

(f) As at 30 June 2023, the Group has undrawn bank loan facilities and other debt financing instruments amounting to HK$15,912 million (31 December 2022: HK$26,198 million), of which HK$3,058 million (31 December 2022: HK$12,204 million) and HK$12,854 million (31 December 2022: HK$13,994 million) are committed and uncommitted credit facilities, respectively.

The Group has entered into additional bank facilities arrangement subsequent to the period end to ensure the liquidity of the Group.

(g) The bank and other borrowings as at 30 June 2023 and 31 December 2022 are repayable as follows:

	Bank loans		Loans from fellow subsidiaries		Loan from immediate holding company		Notes payable		Total	
	30 June 2023 HK$'million	31 December 2022 HK$'million	30 June 2023 HK$'million	31 December 2022 HK$'million	30 June 2023 HK$'million	31 December 2022 HK$'million	30 June 2023 HK$'million	31 December 2022 HK$'million	30 June 2023 HK$'million	31 December 2022 HK$'million
Within 1 year	5,057	8,091	605	4	—	1,458	7,048	7,008	12,710	16,561
Between 1 and 2 years	416	592	—	217	—	—	3,909	—	4,325	809
Between 2 and 5 years	5,177	4,071	—	—	—	—	3,904	7,775	9,081	11,846
Within 5 years	10,650	12,754	605	221	—	1,458	14,861	14,783	26,116	29,216
More than 5 years	1,866	627	161	48	—	—	4,663	4,638	6,690	5,313
Total	12,516	13,381	766	269	—	1,458	19,524	19,421	32,806	34,529

17. CREDITORS AND ACCRUALS

	30 June 2023 HK$'million	31 December 2022 HK$'million
Trade creditors (Note (a))	327	475
Contract liabilities	124	91
Amounts due to fellow subsidiaries (Note (b))	29	50
Amounts due to associates (Note (b))	227	280
Amounts due to joint ventures (Note (b))	2	2
Amounts due to related parties (Note (b))	7	—
Other payables and accruals	2,474	2,616
	3,190	3,514

Notes:

(a) Bill payables of HK$25 million (31 December 2022: nil) are included in trade creditors as at 30 June 2023 with a maturity period of less than one year.

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

	30 June 2023 HK$'million	31 December 2022 HK$'million
0 - 90 days	306	419
91 - 180 days	9	18
181 - 365 days	1	7
Over 365 days	11	31
	327	475

(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 2022.

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 2023 and 31 December 2022:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
At 30 June 2023				
Financial assets at FVTPL	**2,526**	**2,321**	**3**	**4,850**
Equity instruments at FVTOCI	—	—	**10**	**10**
	2,526	**2,321**	**13**	**4,860**
At 31 December 2022				
Financial assets at FVTPL	2,493	1,461	3	3,957
Equity instruments at FVTOCI	—	—	30	30
	2,493	1,461	33	3,987

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 deposits that are accounted for as financial assets at FVTPL is valued based on the foreign exchange rate and gold price (31 December 2022: foreign exchange rate and gold price). As at 30 June 2023, if the foreign exchange rate was 5% (31 December 2022: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposits would be insignificant (31 December 2022: insignificant). As at 31 December 2022, if the gold price was 5% higher/lower while all the other variables were held constant, the changes in fair value of the structure deposits 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 2023, if any of the significant unobservable inputs above was 5% (31 December 2022: 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 2022: 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 2023 and 2022:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million
For the six months ended 30 June 2023		
As at 1 January 2023	**3**	**30**
Transfer to assets classified as held for sale	**—**	**(20)**
As at 30 June 2023	**3**	**10**
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)

(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 2023 HK$'million	31 December 2022 HK$'million
Group		
Property, plant and equipment and intangible assets	**993**	1,375
Joint ventures		
Property, plant and equipment	**3**	32
	996	1,407

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

	30 June 2023 HK$'million	31 December 2022 HK$'million
Group		
Ports projects	**6**	6
Logistics hub project	**461**	—
Joint ventures		
Land development project	**12**	13
	479	19

19. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities

(i) As at 30 June 2023, TCP Participações S.A. (an indirect subsidiary of the Company, "TCP") and its subsidiaries (collectively referred to as 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$1,025 million (31 December 2022: HK$313 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 sellers 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 2023 and 31 December 2022, 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$202 million (31 December 2022: HK$74 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 2022: HK$225 million) and the aggregate amount utilised by the relevant related party amounted to HK$135 million (31 December 2022: 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 2023 and 31 December 2022, 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 interim 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 2023 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 2023 HK$'million	2022 HK$'million
Rental income from	(i)		
– fellow subsidiaries		**27**	24
– associates		**2**	—
– joint ventures		**11**	9
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		**1**	3
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		**4**	4
Service income from	(ii)		
– fellow subsidiaries		**46**	57
– associates		**12**	5
– joint ventures		**35**	39
– related parties		**22**	—
Service fees paid to	(iii)		
– fellow subsidiaries		**56**	28
– associates		**33**	34
– joint ventures		**9**	10
– related parties		**19**	20
Interest income from			
– a fellow subsidiary	(iv)	**10**	5
– associates	(v)	**101**	100
– a joint venture	(v)	**28**	36
– related parties	(vi)	**9**	10
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		**12**	28
– fellow subsidiaries		**10**	6

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$19 million (2022: HK$102 million) and lease liabilities of HK$19 million (2022: HK$102 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 2023, the Group placed deposits of HK$376 million (31 December 2022: HK$1,681 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% (2022: from 1.61% to 2.10%) per annum.

(v) Interest income was charged at interest rates ranging from 3.65% to 6.15% (2022: 4.75% to 6.00%) per annum on the outstanding loan to associates and 0.50% 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 2023, the Group placed deposits of HK$884 million (31 December 2022: HK$2,334 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 fellow subsidiaries.

(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 2023, the corresponding carrying amount of the right-of-use asset was HK$208 million (31 December 2022: HK$208 million).

(ix) During the current period, the Group acquired property, plant and equipment of HK$2 million (2022: HK$2 million) from an associate (2022: an associate).

The balances with entities within CMG Group as at 30 June 2023 and 31 December 2022 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	
	2023	2022
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**10**	9

21. EVENTS AFTER THE REPORTING PERIOD

(i) A disposal group classified as held for sale

During the period ended 30 June 2023, the Group entered into an Assets and Equity Transfer Agreement with Ningbo Zhoushan Port Company Limited ("Ningbo Port"), an associate of the immediate holding company of the Company, pursuant to which Ningbo Port agreed to purchase and the Group agreed to dispose 45% equity interest in Ningbo Daxie China Merchants International Terminals Co., Ltd. ("Ningbo Daxie") at a consideration of RMB1,845 million (the "Disposal").

Ningbo Daxie originally is an indirect subsidiary of the Company with its financial results being consolidated into the Group. Upon completion of the Disposal, the Company will no longer hold any interest in Ningbo Daxie, thus Ningbo Daxie will no longer be accounted as a subsidiary in the consolidated financial statements of the Group.

The assets and liabilities attributable to Ningbo Daxie, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position as at 30 June 2023.

In August 2023, the transaction has been completed.

21. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(ii) Establishment of a subsidiary engaged in logistics hub in Sri Lanka

During the period ended 30 June 2023, Fortune Centre Group Limited, a wholly-owned subsidiary of the Company, entered into a shareholders agreement (the "Shareholders Agreement") with Access Engineering PLC and Sri Lanka Ports Authority, in relation to the establishment and governance of the project company for the implementation of the South Asia Commercial and Logistics Hub Project ("SACLH Project"). The project company will be responsible for the financing, design, construction, development, operation, management and maintenance of the SACLH Project as a public private partnership on a "Build-Operate-Transfer" basis. The SACLH Project involves the development of the "South Asia Commercial and Logistics Hub", a logistics centre in the Port of Colombo, which is located at the Western coast of Sri Lanka.

Pursuant to the Shareholders Agreement, the Group shall have 70% interest in the project company and shall provide a capital contribution on a pro rata basis as disclosed in note 19(b). The project company will become a subsidiary of the Group as the Group has the right to appoint the majority of board members of the board of directors, which is the authority to have power to direct the relevant activities of the project company.

In July 2023, a supplementary agreement to the Shareholders Agreement was entered and the total initial capital of the project company changed from USD84 million to USD78.9 million. Up to the date this condensed consolidated interim financial information were authorised for issuance, the Group has injected USD12 million.

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