招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 144)

Consolidated profit attributable to shareholders of the Company decreased by 14.4% to HK$1,728 million

Basic earnings per share decreased by 15.0% to 71.30 HK cents

2009 Interim Results Announcement

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Unaudited	
	Note	**2009**	**2008**
		HK$' million	*HK$' million*
Continuing operations			
Revenue	2	1,651	2,057
Cost of sales	5	(964)	(1,042)
Gross profit		687	1,015
Other gains, net	4	112	170
Other income	4	84	18
Administrative expenses	5	(188)	(237)
Operating profit		695	966
Finance income	6	8	8
Finance costs	6	(331)	(275)
Finance costs - net	6	(323)	(267)
Share of profits less losses of			
Associates		1,055	1,419
Jointly controlled entities		58	87
Profit before taxation		1,485	2,205
Taxation	7	(152)	(129)
Profit for the period from continuing operations		1,333	2,076
Discontinued operation			
Profit for the period from discontinued operation	8	492	116
Profit for the period		1,825	2,192

	Note	**Unaudited** **2009** *HK$' million*	**2008** *HK$' million*
Attributable to:			
Shareholders of the Company			
- continuing operations		1,236	1,945
- discontinued operation		492	74
		1,728	2,019
Minority interest			
- continuing operations		97	131
- discontinued operation		—	42
		97	173
Profit for the period		1,825	2,192
Dividends	9	607	675
Earnings per share for profit attributable to shareholders of the Company	10		
From continuing operations			
- basic (HK cents)		50.98	80.82
- diluted (HK cents)		50.96	80.39
From discontinued operation			
- basic (HK cents)		20.32	3.07
- diluted (HK cents)		20.31	3.05

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited	
	2009	**2008**
	HK$' million	*HK$' million*
Profit for the period	1,825	2,192
Other comprehensive income		
Share of investment revaluation reserves of associates	(21)	(196)
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities	(28)	1,404
Increase/(decrease) in fair value of available-for-sale financial assets	592	(239)
Realisation of reserves upon disposal of a subsidiary	(19)	—
Gain on partial disposal of subsidiaries	—	1,034
Total comprehensive income for the period	2,349	4,195
Total comprehensive income attributable to:		
– shareholders of the Company	2,252	3,939
– minority interest	97	256
	2,349	4,195

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

	Note	**Unaudited 30 June 2009** *HK$' million*	**Audited 31 December 2008** *HK$' million*
ASSETS			
Non-current assets			
Goodwill		2,513	2,513
Property, plant and equipment		12,948	12,921
Investment properties		840	744
Leasehold land and land use rights		7,356	7,426
Interests in associates		17,227	17,392
Interests in jointly controlled entities		2,628	2,646
Other financial assets		2,408	1,609
Deferred tax assets		27	27
		45,947	45,278
Current assets			
Inventories		40	41
Debtors, deposits and prepayments	11	1,109	684
Cash and cash equivalents		4,251	2,806
		5,400	3,531
Assets of disposal group classified as held for sale	8	—	1,684
		5,400	5,215
Total assets		51,347	50,493

	Note	Unaudited 30 June 2009 HK$' million	Audited 31 December 2008 HK$' million
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		242	242
Reserves		30,715	29,069
Proposed dividend		607	969
		31,564	30,280
Minority interest		2,132	2,434
Total equity		33,696	32,714
LIABILITIES			
Non-current liabilities			
Other financial liabilities		10,050	10,246
Deferred tax liabilities		660	631
		10,710	10,877
Current liabilities			
Creditors and accruals	12	2,701	2,355
Loans from the ultimate holding company		2,703	2,649
Loans from an intermediate holding company		247	—
Other financial liabilities		1,268	1,237
Taxation payable		22	19
		6,941	6,260
Liabilities of disposal group classified as held for sale	8	—	642
		6,941	6,902
Total liabilities		17,651	17,779
Total equity and liabilities		51,347	50,493
Net current liabilities		(1,541)	(1,687)
Total assets less current liabilities		44,406	43,591

NOTES:

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

(i) Standards and amendments to Standards that are effective for the periods beginning on or after 1 January 2009

- HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) and the Group has elected to present two statements: a consolidated income statement and a statement of consolidated comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented.

  Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker of the Company ("CODM").

  Goodwill is allocated by management to groups of cash-generating units on a segment level. The adoption of HKFRS 8 has not resulted in any changes allocation of goodwill in reportable segment or additional goodwill impairment. There are no further impacts on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

(ii) Standards, amendments to Standards and interpretation that are effective for the periods beginning on or after 1 January 2009, but do not have significant impact to the Group

- HKAS 23 (Amendment), "Borrowing costs"
- HKAS 32 (Amendment), "Financial instruments: Presentation"
- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- HKFRS 2 (Amendment), "Share-based payment"
- HK(IFRIC) 9 (Amendment), "Reassessment of embedded derivatives" and HKAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- HK(IFRIC) 13, "Customer loyalty programmes"
- HK(IFRIC) 15, "Agreements for the construction of real estate"
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation"

(iii) Standards, amendments to Standards and interpretations have been issued, but are not effective for the period and have not been early adopted by the Group

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items.
- HKFRS 3 (Revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures"
- HK(IFRIC) 17, "Distributions of non-cash assets to owners"
- HK(IFRIC) 18, "Transfers of assets from customers"

(iv) HKICPA's improvements to HKFRS published in May 2009

HKICPA's improvements to HKFRS have been published in May 2009, which have introduced certain amendments to those standards set out below. These amendments are not effective for the financial year beginning 1 January 2009 and have not been early adopted. The Group is assessing the impact of these amendments and will apply these amendments from 1 January 2010.

- HKAS 1 "Presentation of financial statements"
- HKAS 7 "Statement of cash flows"
- HKAS 17 "Leases"
- HKAS 36 "Impairment of assets"
- HKAS 38 "Intangible assets"
- HKAS 39 "Financial instruments: Recognition and measurement"
- HKFRS 2 "Share-based payment"
- HKFRS 5 "Non-current assets held for sale and discontinued operations"
- HKFRS 8 "Operating segments"
- HK(IFRIC) 9 "Reassessment of embedded derivatives"
- HK(IFRIC) 16 "Hedges of a net investment in a foreign operation"

2 Revenue

The principal activities of the Group comprise ports operations and ports-related operations. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2009	**2008**
	HK$'million	*HK$'million*
Continuing operations		
Ports service and transportation income, container service and container yard management income	1,635	2,042
Gross rental income from investment properties	16	15
	1,651	2,057
Discontinued operation		
Sale of paints and related goods	—	1,308
Total	1,651	3,365

3 Segment information

The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports.

The CODM considers the business from both a business and geographic perspective. From a business perspective, management assesses the performance of business operations including ports operations, ports-related operations and other operations. Ports operations are further evaluated on a geographic basis including Shenzhen, Hong Kong, Ningbo and Shanghai, and other locations.

Ports operations include container terminal operation, bulk and general cargo terminal operation, logistics park operation, ports transportation and airport cargo handling operation by the Group and the Group's associates and jointly controlled entities. Ports-related operations include paint manufacturing by the Group, which was disposed during the period, and container manufacturing by the Group's associate. Other operations include property investment and corporate function by the Group.

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

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of jointly controlled entities" below represent the Group's share of revenue of associates and jointly controlled entities respectively. An analysis of the Group's revenue by segments is as follows:

	Ports operations					Ports-related operations	Other operations	Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	
	Six months ended 30 June 2009							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue								
Continuing operations								
Company and subsidiaries	1,426	80	—	129	1,635	—	16	1,651
Share of associates	1,038	453	1,816	—	3,307	2,653	—	5,960
Share of jointly controlled entities	13	—	88	334	435	—	—	435
	2,477	533	1,904	463	5,377	2,653	16	8,046
Discontinued operation								
Company and subsidiaries	—	—	—	—	—	—	—	—
Total	2,477	533	1,904	463	5,377	2,653	16	8,046

	Ports operations					Ports-related operations	Other operations	Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	
	Six months ended 30 June 2008							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue								
Continuing operations								
Company and subsidiaries	1,760	98	—	184	2,042	—	15	2,057
Share of associates	1,364	535	1,938	—	3,837	8,171	—	12,008
Share of jointly controlled entities	16	—	75	374	465	—	—	465
	3,140	633	2,013	558	6,344	8,171	15	14,530
Discontinued operation								
Company and subsidiaries	—	—	—	—	—	1,308	—	1,308
Total	3,140	633	2,013	558	6,344	9,479	15	15,838

An analysis of the Group's operating profit, share of profits less losses of associates and jointly controlled entities by segments for the period ended 30 June 2009 is as follows:

	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	Six months ended 30 June 2009									
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations										
Operating profit	625	5	31	(23)	638	—	108	(51)	57	695
Share of profits less losses of										
– Associates	162	168	497	(5)	822	233	—	—	—	1,055
– Jointly controlled entities	3	—	15	40	58	—	—	—	—	58
	790	173	543	12	1,518	233	108	(51)	57	1,808
Finance costs - net	(49)	—	—	(34)	(83)	—	—	(240)	(240)	(323)
Taxation	(77)	(1)	(29)	(5)	(112)	(33)	(7)	—	(7)	(152)
Profit for the period from continuing operations	664	172	514	(27)	1,323	200	101	(291)	(190)	1,333
Minority interest	(99)	—	—	2	(97)	—	—	—	—	(97)
Profit attributable to shareholders of the Company	565	172	514	(25)	1,226	200	101	(291)	(190)	1,236
Discontinued operation										
Gain on disposal of discontinued operation	—	—	—	—	—	492	—	—	—	492
Minority interest										97
Profit attributable to shareholders of the Company										1,728
Profit for the period										1,825
Other information:										
Depreciation and amortisation										
Continuing operations	294	4	—	104	402	—	3	—	3	405
Capital expenditure										
Continuing operations	248	1	—	128	377	—	—	—	—	377

An analysis of the Group's operating profit, share of profits less losses of associates and jointly controlled entities by segments for the period ended 30 June 2008 is as follows:

	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	Six months ended 30 June 2008									
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations										
Operating profit	876	4	—	(6)	874	—	104	(12)	92	966
Share of profits less losses of										
– Associates	241	174	734	—	1,149	270	—	—	—	1,419
– Jointly controlled entities	3	—	16	68	87	—	—	—	—	87
	1,120	178	750	62	2,110	270	104	(12)	92	2,472
Finance costs - net	(101)	—	—	(22)	(123)	—	—	(144)	(144)	(267)
Taxation	(83)	(1)	(34)	(3)	(121)	—	(8)	—	(8)	(129)
Profit for the period from continuing operations	936	177	716	37	1,866	270	96	(156)	(60)	2,076
Minority interest	(136)	—	—	5	(131)	—	—	—	—	(131)
Profit attributable to shareholders of the Company	800	177	716	42	1,735	270	96	(156)	(60)	1,945
Discontinued operation										
Operating profit	—	—	—	—	—	150	—	—	—	150
Finance costs - net	—	—	—	—	—	(4)	—	—	—	(4)
Taxation	—	—	—	—	—	(30)	—	—	—	(30)
Profit for the period from discontinued operation	—	—	—	—	—	116	—	—	—	116
Minority interest	—	—	—	—	—	(42)	—	—	—	(42)
Profit attributable to shareholders of the Company	—	—	—	—	—	74	—	—	—	74
Minority interest										173
Profit attributable to shareholders of the Company										2,019
Profit for the period										2,192

	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	Six months ended 30 June 2008									
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Other information:										
Depreciation and amortisation										
Continuing operations	250	4	—	85	339	—	3	—	3	342
Discontinued operation	—	—	—	—	—	7	—	—	—	7
	250	4	—	85	339	7	3	—	3	349
Capital expenditure										
Continuing operations	416	7	—	423	846	—	—	—	—	846
Discontinued operation	—	—	—	—	—	5	—	—	—	5
	416	7	—	423	846	5	—	—	—	851

An analysis of the Group's assets and liabilities by segments as at 30 June 2009 is as follows:

	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	As at 30 June 2009									
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Segment assets	19,538	82	1,578	5,996	27,194	—	847	3,424	4,271	31,465
Interests in associates	1,725	1,914	9,454	107	13,200	4,027	—	—	—	17,227
Interests in jointly controlled entities	21	5	649	1,953	2,628	—	—	—	—	2,628
	21,284	2,001	11,681	8,056	43,022	4,027	847	3,424	4,271	51,320
Deferred tax assets										27
Total assets										51,347
Segment liabilities	(4,376)	(38)	—	(2,374)	(6,788)	—	(5)	(10,176)	(10,181)	(16,969)
Taxation payable										(22)
Deferred tax liabilities										(660)
Total liabilities										(17,651)

An analysis of the Group's assets and liabilities by segments as at 31 December 2008 is as follows:

	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	As at 31 December 2008									
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Segment assets	18,569	77	1,267	5,925	25,838	—	751	2,155	2,906	28,744
Interests in associates	1,858	1,871	9,425	112	13,266	4,126	—	—	—	17,392
Interests in jointly controlled entities	25	5	652	1,964	2,646	—	—	—	—	2,646
	20,452	1,953	11,344	8,001	41,750	4,126	751	2,155	2,906	48,782
Disposal group classified as held for sale	—	—	—	—	—	1,684	—	—	—	1,684
	20,452	1,953	11,344	8,001	41,750	5,810	751	2,155	2,906	50,466
Deferred tax assets										27
Total assets										50,493
Segment liabilities	(4,370)	(33)	—	(2,297)	(6,700)	—	(5)	(9,782)	(9,787)	(16,487)
Disposal group classified as held for sale	—	—	—	—	—	(642)	—	—	—	(642)
	(4,370)	(33)	—	(2,297)	(6,700)	(642)	(5)	(9,782)	(9,787)	(17,129)
Taxation payable										(19)
Deferred tax liabilities										(631)
Total liabilities										(17,779)

4 Other gains, net and other income

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June					
	2009	2008	2009	2008	2009	2008
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Other gains, net						
Increase in fair value of investment properties	96	95	—	—	96	95
Gain/(loss) on disposal of land use rights and property, plant and equipment	24	(2)	—	—	24	(2)
Net exchange (losses)/gains	(8)	76	—	2	(8)	78
Others	—	1	—	2	—	3
	112	170	—	4	112	174
Other income						
Dividend income	84	18	—	—	84	18

5 Expenses by nature

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June					
	2009	2008	2009	2008	2009	2008
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Cost of inventories sold	—	—	—	984	—	984
Depreciation of property, plant and equipment	334	289	—	7	334	296
Amortisation of leasehold land and land use rights	71	53	—	—	71	53
Staff costs (including Directors' emoluments)	240	256	—	67	240	323
Operating lease rentals in respect of						
-land and buildings	51	54	—	10	51	64
-plant and machinery	24	18	—	—	24	18
Other expenses	432	609	—	94	432	703
Total cost of sales, distribution costs and administrative expenses	1,152	1,279	—	1,162	1,152	2,441

6 Finance income and costs

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June					
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Interest income from:						
Bank deposits	8	7	—	1	8	8
Available-for-sale financial assets	—	1	—	—	—	1
Finance income	8	8	—	1	8	9
Interest expense on:						
Bank borrowings						
– Wholly repayable within five years	(51)	(119)	–	(5)	(51)	(124)
– Not wholly repayable within five years	(2)	(10)	—	—	(2)	(10)
Listed notes payable						
– Wholly repayable within five years	(72)	(5)	—	—	(72)	(5)
– Not wholly repayable within five years	(160)	(109)	—	—	(160)	(109)
Loans from the ultimate holding company	(71)	(24)	—	—	(71)	(24)
Other financial liabilities	—	(36)	—	—	—	(36)
Total borrowing costs incurred	(356)	(303)	—	(5)	(356)	(308)
Less: amount capitalised in assets under construction *(note)*	25	28	—	—	25	28
Finance costs	(331)	(275)	—	(5)	(331)	(280)
Finance costs - net	(323)	(267)	—	(4)	(323)	(271)

Note: Capitalisation rate of 4.4376% per annum (2008: 6.2726% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the assets under construction.

7 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to the PRC corporate income tax law of the People's Republic of China ("PRC corporate income tax"). The PRC corporate income tax rate for foreign invested enterprises established in PRC is 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011 respectively. A standard rate of 25% will be applied from year 2012 onwards. The Group's certain subsidiaries were exempted from the PRC corporate income tax in the first five profit making years and followed by a 50% reduction in the PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. 10% withholding income tax is also imposed on dividends relating to profits earned in year 2008 and onwards to foreign investors starting from 1 January 2008 while for investors incorporated in certain places, including Hong Kong and Singapore, preferential rate of 5% will be applied.

Taxation outside 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.

The amount of taxation charged to condensed consolidated income statement represents:

	Continuing operations		**Discontinued operation**		**Total**	
			Six months ended 30 June			
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Current taxation						
Hong Kong profits tax	1	1	—	1	1	2
PRC corporate income tax	43	35	—	29	43	64
Deferred taxation	108	93	—	—	108	93
	152	129	—	30	152	159

8 Discontinued operation and disposal group classified as held for sale

(a) Discontinued operation

On 5 January 2009, the Group disposed of its entire 64% equity interest in Hempel-Hai Hong (China) Limited ("Hempel-Hai Hong"), a subsidiary of the Group, to the minority shareholder of Hempel-Hai Hong for a cash consideration of HK$1,146 million. A gain on disposal of HK$492 million was resulted and has been recognised in the condensed consolidated income statement during the period.

The aggregate results of the discontinued operation of Hempel-Hai Hong included in the condensed consolidated income statement for the six months ended 30 June 2009 and 2008 are set out below.

	Six months ended 30 June	
	2009	**2008**
	HK$'million	*HK$'million*
Revenue	—	1,308
Cost of sales	—	(983)
Gross profit	—	325
Other gains, net	—	4
Distribution costs	—	(173)
Administrative expenses	—	(6)
Operating profit	—	150
Finance income	—	1
Finance costs	—	(5)
Finance costs - net	—	(4)
Profit before taxation	—	146
Taxation	—	(30)
Profit after taxation	—	116
Gain on disposal of discontinued operation	492	—
Profit for the period from discontinued operation	492	116
Attributable to:		
Shareholders of the Company	492	74
Minority interest	—	42
	492	116

(b) Disposal group classified as held for sale

	30 June 2009 *HK$' million*	31 December 2008 *HK$' million*
Assets of disposal group classified as held for sale		
Land use rights	—	34
Property, plant and equipment	—	95
Deferred tax assets	—	13
Inventories	—	264
Trade and other receivables	—	878
Cash and cash equivalents	—	365
Other current assets	—	35
	—	1,684
Liabilities of disposal group classified as held for sale		
Creditors and accruals	—	528
Other financial liabilities	—	75
Amount due to a fellow subsidiary	—	3
Taxation payable	—	27
Other current liabilities	—	9
	—	642
Reserves recognised directly in equity relating to disposal group classified as held for sale		
Capital reserve	—	52
Translation reserve	—	19
	—	71

9 Interim dividend

	Six months ended 30 June 2009 HK$'million	2008 HK$'million
Interim dividend of 25 HK cents (2008: 28 HK cents) per share	607	675

At a meeting held on 10 September 2009, the Directors proposed an interim dividend of 25 HK cents by way of scrip dividend, which will be satisfied by allotment of fully paid new shares of the Company. Shareholders have an alternative to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a 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 2009.

The amount of interim dividend for 2009 was based on 2,428,792,562 (2008: 2,411,945,657) shares in issue as at 10 September 2009.

10 Earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

Basic	**Continuing operations**	**Discontinued operation**	**Total**
For the six months ended 30 June 2009			
Profit attributable to shareholders of the Company (HK$'million)	1,236	492	1,728
Weighted average number of ordinary shares in issue	2,423,447,509	2,423,447,509	2,423,447,509
Basic earnings per share (HK cents)	50.98	20.32	71.30
For the six months ended 30 June 2008			
Profit attributable to shareholders of the Company (HK$'million)	1,945	74	2,019
Weighted average number of ordinary shares in issue	2,406,596,139	2,406,596,139	2,406,596,139
Basic earnings per share (HK cents)	80.82	3.07	83.89

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all outstanding options at nil consideration.

Diluted	Continuing operations	Discontinued operation	Total
For the six months ended 30 June 2009			
Profit attributable to shareholders of the Company (HK$'million)	1,236	492	1,728
Weighted average number of ordinary shares in issue	2,423,447,509	2,423,447,509	2,423,447,509
Adjustment for share options	1,201,072	1,201,072	1,201,072
Weighted average number of ordinary shares for diluted earnings per share	2,424,648,581	2,424,648,581	2,424,648,581
Diluted earnings per share (HK cents)	50.96	20.31	71.27
For the six months ended 30 June 2008			
Profit attributable to shareholders of the Company (HK$'million)	1,945	74	2,019
Weighted average number of ordinary shares in issue	2,406,596,139	2,406,596,139	2,406,596,139
Adjustment for share options	13,158,055	13,158,055	13,158,055
Weighted average number of ordinary shares for diluted earnings per share	2,419,754,194	2,419,754,194	2,419,754,194
Diluted earnings per share (HK cents)	80.39	3.05	83.44

11 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$479 million (2008: HK$433 million).

The Group has a credit policy of allowing an average credit period of 90 days to its trade customers. The ageing analysis of trade debtors is as follows:

	30 June 2009 *HK$'million*	31 December 2008 *HK$'million*
Not yet due	123	142
1 - 30 days	183	163
31 - 60 days	79	69
61 - 120 days	53	47
Over 120 days	41	12
	479	433

12 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$68 million (2008: HK$70 million). The ageing analysis of trade creditors is as follows:

	30 June 2009 *HK$'million*	31 December 2008 *HK$'million*
0 - 30 days	33	54
31 - 60 days	5	6
61 - 120 days	9	4
Over 120 days	21	6
	68	70

Management Discussion and Analysis

During the first half of 2009, the drastic deterioration in global economy carried on from 2008 has caused international trade to continue to suffer vigorously. Weakened external demand has severely affected China's import and export trade in the period under review. Data released by the General Administration of Customs of the PRC revealed that, during the period, both China's aggregate export trade as well as its import and export trade with major trade partners recorded a double-digit negative growth. China's trade with EU, USA, Japan and Korea and ASEAN dropped respectively 21.0%, 17.0%, 25.0% and 24.0% with the export-oriented economies in the Pearl River Delta and the Yangtze River Delta being the most affected during the first half of 2009.

According to data from the Ministry of Transport of the PRC, the throughput volumes handled by all key ports (that handled significant container business) in China totaled 55,970,000 TEUs in the first half of the year, representing a decrease of 11.0% year-on-year. In addition, the drop in container volumes handled at most coastal major ports exceeded the average rate of decline for the country: the respective decline in container volume handled at Shenzhen and Shanghai ports was 20.5% and 15.5%. Amid such economic crisis, the Group's port business cannot escape from volume shrinkage with its container and bulk cargo throughput for the period lessened by 19.1% and 5.2% respectively.

Along with the continuous weakening of world trade and shrinking of shipping volume came the adoption by shipping companies of measures to reduce operating costs: such as reducing shipping capacity, re-adjusting shipping routes and enhancing cooperation as alliance by sharing vessels. These measures combined have inevitably led to an increasing concentration of calling ports and, in turn, altered the pattern of container volume distribution among various (key calling) ports. In response to prevailing market changes, the Group has, on the one hand, stepped up its communications with clients with a view to assisting them ride through, as much as possible, the difficult time prevailing. The Group has, on the other hand, optimized the effect of internal management through scheduling of adequate investment pace provided its production and service efficiency remains unaffected as well as continuing implementation of cost-control measures through procedural streamlining and technological innovations. During the period under review, the Group's efforts in controlling operational and financial costs have been evident, which in turn have helped to mitigate the impact of economic recession on the Group's ports business.

During the first half of this year, the profit attributable to shareholders of the Company amounted to HK$1,728 million, representing a decrease of 14.4% over that for the same period of last year. Of this amount, the Group's operating profit after tax, after deducting post-tax extraordinary income, amounted to HK$1,146 million, representing a decrease of 40.7% over that of the same period of last year. The proportion of EBITDA [Note 1] derived from the Group's core ports operations, relative to the Group's total, increased to 82.5% from 81.8% for the same period last year.

In the first half of the year, the Group recorded revenue of HK$1,651 million, representing a decrease of 50.9% over the same period of last year, of which the revenue generated by the Group's ports operations amounted to HK$1,635 million, representing a decrease of 19.9% over the same period of last year.

Ports operations

During the first half of the year, EBIT [Note 2] derived from the Group's ports operations amounted to HK$1,766 million, representing a decrease of 28.1% year-on-year, and accounted for 79.7% in the overall EBIT of the Group.

During the period under review, the port projects in which the Group is interested handled a total of 20,346,000 containers or TEUs, representing a decrease of 19.1% over that for the same period last year. Of this total, the volume handled by the Group's ports in Mainland China reached approximately 17,595,000 TEUs, an 18.8% decline year-on-year. Western Shenzhen Port Zone handled 4,230,000 TEUs, representing a decrease of 27.9% year-on-year. Shanghai International Port (Group) Co., Ltd. ("SIPG") handled 11,670,000 TEUs approximately, a decrease of 15.5% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd ("Ningbo Daxie Port") recorded a throughput of 517,000 TEUs, representing an increase of 7.9% year-on-year. Tianjin Five Continents International Container Terminal Co., Ltd. handled 944,000 TEUs, representing a decrease of 2.0% when compared to that handled in the same period last year. Zhangzhou China Merchants Port Co., Ltd ("Zhangzhou Port") recorded a throughput of 143,000 TEUs, decreased by 31.9%. The Group's ports in Hong Kong recorded a throughput of 2,751,000 TEUs, a drop of 20.9%.

Note 1: Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and minority interest ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities.

Note 2: Earnings before net interest expenses, taxation, unallocated income less expenses and minority interest ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities.

The Group's ports handled, in total, 108 million tons of bulk cargoes in the first half of 2009, a decline of 5.2% when compared to that for the same period last year. Of this total throughput, Zhanjiang Port (Group) Co., Ltd. handled 29,050,000 tons, representing a decrease of 7.2% year on year. Western Shenzhen Port Zone handled approximately 17,093,000 tons of bulk cargo, similar to what it did the year before. Zhangzhou Port handled 3,370,000 tons of bulk cargo, representing an increase of 6.7% year on year. SIPG handled 58,480,000 tons of bulk cargo, a decrease of 6.7% year on year.

The performance of the Group's ports, in terms of total throughput handled during the period under review, has inevitably been adversely affected by the deteriorated economy, when compared to the high level achieved during the first half of last year. Relative to the throughput total handled by key ports during the first 6 months of 2009 as published by the Ministry of Transport of China, container volumes handled by the Group's ports in the Mainland accounted for 31.4%. Furthermore, container volumes of Western Shenzhen Port Zone accounted for approximately 52.3% of the total throughput in the entire Shenzhen area.

During the period under review, in continuing the effort to establish Shenzhen as its home base port, the Group has been coordinating the development among units within the Western Shenzhen Port Zone into a unified commercial operation. Stemmed from this unified commercial operation will be a common market footing that, in turn, enhances the area's business-development capability. On 10 July 2009, Phase I of Shenzhen Qianhaiwan Bonded Port Zone, the development of which the Group has proactively participated and been promoting, passed the State Customs' examination and officially commenced its operation. Qianhaiwan Bonded Port Zone is entitled with, and therefore enjoys the benefits from, a number of functional policies including international purchasing, international distribution and delivery, international transhipment, warehousing and logistics, re-export trade and export processing, and so on, thereby making it one of the most open port zones in China with a near-free port status. Its presence is expected to support and accelerate the development of logistics industries at the Western Shenzhen Port Zone. During the first half of the year, the Group continued to expand the reach-out of the Western Shenzhen ports by leveraging on the Pearl River waterway, through expanding the network covered by the South China shuttle barge services, so as to provide the Group's customers with increasingly cost-effective spoke (feeder)-connectivity services. As at the end of June 2009, the shuttle barge routes from the Western Shenzhen Port Zone covered 15 cities and 33 terminals via 20 scheduled routes and various ad-hoc chartered routes. As regards sea-rail connectivity, following upon the launch in the second half of 2008 of the Changsha-Shekou route, pilot operations respectively of the Liling and Nanchang routes also commenced in the first half of this year, enlarging the coverage of the Western Shenzhen Port Zone to hinterland of Hunan Province and to areas in Jiangxi Province. The Group believes that all of the above measures combined will further complement the service capabilities of Western Shenzhen as the Group's home base port, thereby further augmenting the location's competitive advantages in the long term.

The Group persists in pursuing on-going refinements through emphasis on carrying out tasks such as cost control, technological innovations and optimization of operational processes and sharing the resultant findings, via practical applications, among members of the Group. During the period under review, the energy-saving endeavours which the Group's terminals have been embarking on for a number of years gathered critical momentum in that the convergence from consuming oil to consuming electricity for gantry cranes at container depots have not only significantly lowered the Group's power consumption and hence its operational costs, but also helped bring the Group one step forward towards its goal of becoming a green port.

Port-related operations

During the first half of 2009, EBIT generated by the Group's port-related operations amounted to HK$342 million, a decline of 7.3% when compared to that for the same period last year. The global financial crisis that led to a slowdown in global trade, has resulted in a dramatic decline in the demand for new dry containers in the shipping industry. This has also adversely affected China International Marine Containers (Group) Co., Ltd. (the "CIMC Group"), as the world's largest container manufacturer. Production of its dry freight container basically came to a standstill. However, benefited from the large-scale construction of infrastructural facilities for natural gas piping and liquefied natural gas, the energy and chemical equipment business is expected to become the new growth driver for the CIMC Group. In addition, it has been expanding its business scope continuously. In the first half of the year, the CIMC Group sold a total of 55,000 TEUs of containers and 45,000 transportation vehicles, representing substantial year-on-year decreases of 94.7% and 36.6% respectively.

Prospects and outlook

Whist predictions from the market for economic trends and recovery paths for the second half of 2009 and beyond remain split at the moment, the unprecedented support in terms of making available economic and fiscal policies from, and co-operation among, all states of the world that aimed towards halting the rapid slowdown of the world's economy were apparent and effective. Economic forecast published by the International Monetary Fund (IMF) on 8 July 2009 expects the world economy to come out from the unprecedented recession since World War II. The negative impediment from the drastic downturn in world trade and the collapse in confidence is expected to gradually diminish.

As for domestic China, the Ministry of Finance announced on 23 July 2009 that the PRC will firmly and devotedly carry out all measures encompassed in China's active fiscal policies and drive economic improvement through investment. As regards foreign (imports and exports) trade, overall objectives set out by the State in this area include stabilizing external demands, protecting existing market, and preserving market share. There are, in addition, six important policy measures which, through promoting products with competitive advantages, with labour-intensive contents and with high-tech contents, aim to maintain the share of Chinese exports in the international market. These six policy measures include improved export credit insurance provisions, improved export duty provisions, trade financing solutions for enterprises conducting foreign trade, provisions to alleviate burden of enterprises conducting foreign trade, improved provisions for processing and trade industries, as well as provisions to support enterprises under all types of ownership to "venture overseas". In fact, a market analysis by the General Administration of Customs on China's foreign trade for the first half of the year suggests that labour-intensive products from China still command outstanding advantages which, in turn, assures not only the competitiveness of Chinese enterprises but also that Chinese products' share in the international market remains basically stable. Therefore, the Group is of the view that the port industry in China will continue to derive benefits from China's continuing economic growth and its proactive foreign trade policies.

In the second half of the year, the Group will continue its efforts to offer customer-oriented innovative services and to proactively petition for the putting in place of various policies for the Shenzhen Qianhaiwan Bonded Port Zone. The Group also aims to enlarge its hinterland coverage through expansion of both the South China shuttle barge service and the sea-rail connectivity, whilst not omitting to track business development opportunities generated from domestic trade. Operation-wise, through the establishment of a systematic and standardized client management system and the offering of custom-made services, the Group is able to create mutual benefits for its customers and for itself, thereby not only can this enhance the values of terminals this can also help project for the Group a recognisable corporate image as a quality terminal operator. The Group will capitalize on technological innovations to achieve continuous improvement in the operation process and to enhance operational efficiency. The Group will leverage upon forceful efforts to control cost, through which to display its ability to withstand changes in the macro-economic environment via cost advantages.

In addition, the Group will continue to adopt a prudent approach to control investment at an adequate scale by cautiously managing the development pace of key projects. On the other hand, the Group closely and proactively follows the development trends of international ports and maritime markets with a view to capture significant investment opportunities, both domestic and overseas, that are of strategic importance.

Along with the locations of its ports being mainly at China's major and economically-active maritime hubs, the Group possesses industry-focused management expertise that is accumulated over time, its capability to implement effective measures to cope with market changes and prevailing competitive environment. Our Group strongly believes that, equipped with its prudent financial approach and adequate cash flow, it will be among those first to benefit as and when the world's economy recovers and international trade starts to accelerate, and will be well-positioned to realize better economic benefits and investment returns for shareholders.

Liquidity and treasury policies

As at 30 June 2009, the Group had approximately HK$4,251 million in cash, 72.7% of which was denominated in Hong Kong dollars, 15.5% in United States dollars, 11.2% in Renminbi and 0.6% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports and ports-related businesses, and investment returns from associates and jointly controlled entities. Together these two sources contributed HK$1,496 million in total.

During the period, the Group's capital expenditure amounted to HK$377 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position by holding an appropriate level of cash to meet its operating requirements. In addition, as a significant portion of the Group's bank loans were medium- to long- term borrowings while the Group supported by adequate undrawn bilateral facilities does not anticipate any difficulty in refinancing its short-term loans, the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 30 June 2009, the Company had 2,423,535,842 shares in issue. During the period, the Company issued 100,000 new shares upon the exercise of share options and received HK$1 million as a result. On 17 July 2009, the Company issued 5,101,720 shares under the Company's scrip dividend scheme.

As at 30 June 2009, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's shareholders) was approximately 31.5%.

Considering the currency mix of its assets and liabilities and that significant depreciation of Renminbi is not expected, the Group has not entered into any specific hedging arrangements for its foreign currency investments during the period.

As at 30 June 2009, the Group's outstanding interest-bearing debts were analyzed as below:

	30 June 2009	**31 December 2008**
	HK$' million	*HK$' million*
Floating-rate bank borrowings which are repayable *(note)*:		
Within 1 year	1,206	1,175
Between 1 and 2 years	368	896
Between 2 and 5 years	1,910	1,582
Not wholly repayable within 5 years	79	79
	3,563	3,732
Fixed-rate listed notes payable is repayable:		
In 2013	2,309	2,307
In 2015	3,858	3,857
In 2018	1,526	1,525
	7,693	7,689
Loans from the ultimate holding company	2,703	2,649
Loans from an intermediate holding company	247	—

Note: All bank borrowings are unsecured except for HK$7 million (2008: Nil)

The interest bearing debts are denominated in the following currencies:

	30 June 2009					31 December 2008			
	Bank borrowings	Listed notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Total	Bank borrowings	Listed notes payable	Loans from the ultimate holding company	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	2,877	7,693	—	—	10,570	3,081	7,689	—	10,770
RMB	686	—	247	2,703	3,636	651	—	2,649	3,300
	3,563	7,693	247	2,703	14,206	3,732	7,689	2,649	14,070

Assets charge

As at 30 June 2009, the Company did not have any charge over its assets. However, bank loans of HK$7 million borrowed by a subsidiary were secured by its property, plant and equipment with net book value as at 30 June 2009 of HK$48 million.

Employees and remuneration

As at 30 June 2009, the Group employed 4,392 full time staff, of which 61 worked in Hong Kong and the remaining 4,331 were in the PRC. The remuneration paid for the period amounted to HK$240 million, representing 20.8% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to their performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers year-end bonus as a reward to its staff for their efforts and contribution. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

INTERIM DIVIDEND

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 25 HK cents per share in scrip form for the period, represents a dividend payout of 35.1%. The interim dividend will be paid on or around 27 November 2009 to shareholders whose names appear on the register of members of the Company on 9 October 2009, with an alternative to the shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment (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 23 October 2009. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that certificates for the new shares will be despatched to shareholders on or around 27 November 2009.

CLOSURE OF REGISTER

The Register of Members will be closed from 5 October 2009 to 9 October 2009 (both days inclusive), during which period no transfer of shares 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 2 October 2009. The interim dividend will be paid on or around 27 November 2009 to shareholders whose names appear on the register of members of the Company on 9 October 2009.

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the following:

Code Provision A.2.1

Code Provision A.2.1 provides that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Fu Yuning, the Chairman of the Company, has also been acting as Managing Director of the Company with effect from 31 May 2005. Having performed the roles of Chairman and Managing Director of the Company for over four years, the Board considers that Dr. Fu has been leading the Company and is most aware of the Company's strategic policies and development, it is in the best interests of the Company for the roles of Chairman and Managing Director to be combined and performed by Dr. Fu to facilitate the efficient formulation and implementation of the Company's strategies thereby enabling the Company to seize business opportunities promptly and efficiently.

(b) Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as amended, as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, each of them confirmed that he has complied with the required standard set out in the Model Code during the period.

AUDIT COMMITTEE

The Audit Committee of the Company 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 financing reporting matters including the review of the unaudited interim results for the six months ended 30 June 2009.

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

For the period, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

Interim Report

The 2009 Interim Report will be despatched to shareholders and published on the designated website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cmhi.com.hk) in due course.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 10 September 2009

As at the date hereof, the Board comprises Dr. Fu Yuning, Mr Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Yu Liming, Mr. Hu Jianhua, Mr. Wang Hong and Mr. Liu Yunshu as executive directors; and Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David as independent non-executive directors.