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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: 00144)

- **Profit from continuing operations attributable to equity holders of the Company increased by 56.1% to HK$1,929 million (2009: HK$1,236 million)**
- **Basic earnings per share from continuing operations increased by 55.5% to 79.25 HK cents (2009: 50.98 HK cents)**
- **Throughput of containers handled by the Group rose 22.5% to 24,933,000 TEUs (2009: 20,346,000 TEUs)**
- **Throughput of bulk cargoes handled by the Group rose 25.3% to 135,445,000 tons (2009: 108,078,000 tons)**

2010 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 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited	
	Note	**2010**	**2009**
		HK$' million	*HK$' million*
Continuing operations			
Revenue	2	1,999	1,651
Cost of sales	5	(1,013)	(964)
Gross profit		986	687
Other gains, net	4	167	112
Other income	4	78	84
Administrative expenses	5	(173)	(188)
Operating profit		1,058	695
Finance income	6	16	8
Finance costs	6	(322)	(331)
Finance costs - net	6	(306)	(323)
Share of profits less losses of			
Associates		1,400	1,055
Jointly controlled entities		125	58
Profit before taxation		2,277	1,485
Taxation	7	(184)	(152)
Profit for the period from continuing operations		2,093	1,333

	Note	Unaudited 2010 HK$' million	Unaudited 2009 HK$' million
Discontinued operation			
Profit for the period from discontinued operation	8	—	492
Profit for the period		2,093	1,825
Attributable to:			
Equity holders of the Company			
– continuing operations		1,929	1,236
– discontinued operation		—	492
		1,929	1,728
Non-controlling interests			
– continuing operations		164	97
– discontinued operation		—	—
		164	97
Profit for the period		2,093	1,825
Dividends	9	610	607
Earnings per share for profit attributable to equity holders of the Company	10		
From continuing operations			
– basic (HK cents)		79.25	50.98
– diluted (HK cents)		79.06	50.96
From discontinued operation			
– basic (HK cents)		—	20.32
– diluted (HK cents)		—	20.31

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited	
	2010	**2009**
	HK$' million	*HK$' million*
Profit for the period	2,093	1,825
Other comprehensive income		
Share of investment revaluation reserves of associates	(175)	(21)
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities	231	(28)
(Decrease)/increase in fair value of available-for-sale financial assets	(511)	592
Realisation of reserves upon disposal of subsidiaries	—	(19)
Total other comprehensive (loss)/income for the period, net of tax	(455)	524
Total comprehensive income for the period	1,638	2,349
Total comprehensive income attributable to:		
– equity holders of the Company	1,443	2,252
– non-controlling interests	195	97
	1,638	2,349

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	**Unaudited 30 June 2010** *HK$' million*	**Restated Audited 31 December 2009** *HK$' million*
ASSETS			
Non-current assets			
Goodwill		2,513	2,513
Property, plant and equipment		10,613	10,990
Investment properties		974	919
Land use rights		6,799	6,893
Interests in associates		19,107	18,787
Interests in jointly controlled entities		3,963	2,742
Other financial assets		2,326	2,837
Prepayment		69	68
Deferred tax assets		34	34
		46,398	45,783
Current assets			
Inventories		41	40
Debtors, deposits and prepayments	11	1,944	886
Cash and cash equivalents		3,995	3,206
		5,980	4,132
Non-current assets held for sale	12	1,344	2,553
		7,324	6,685
Total assets		53,722	52,468

	Note	Unaudited 30 June 2010 *HK$' million*	Restated Audited 31 December 2009 *HK$' million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		243	243
Reserves		33,386	32,541
Proposed dividend		610	779
		34,239	33,563
Non-controlling interests		2,241	2,056
Total equity		36,480	35,619
LIABILITIES			
Non-current liabilities			
Other financial liabilities		9,163	9,298
Deferred tax liabilities		723	736
		9,886	10,034
Current liabilities			
Creditors and accruals	13	2,113	1,593
Loans from the ultimate holding company		2,638	2,566
Loans from an intermediate holding company		644	738
Other financial liabilities		1,847	1,857
Taxation payable		114	61
		7,356	6,815
Total liabilities		17,242	16,849
Total equity and liabilities		53,722	52,468
Net current liabilities		(32)	(130)
Total assets less current liabilities		46,366	45,653

NOTES:

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, 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 2009, as described in those annual financial statements.

(i) Revision and amendments to existing Standards adopted by the Group

The following revision and amendments to existing Standards are mandatory for the first time for the financial year beginning 1 January 2010.

- 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", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes as compared with HKFRS 3. For example: (i) all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement; (ii) there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets; (iii) all acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) "Consolidated and separate financial statements", at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has adopted the revised Standards to all business combinations prospectively from 1 January 2010.

- HKFRS 5 "Non-current assets held for sale and discontinued operations" under the first improvements to HKFRSs (2008) issued in October 2008 and under second improvements to HKFRSs (2009) issued in May 2009 by the Hong Kong Institute of Certified Public Accountants. The amendment requires that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The amendment also clarifies the disclosure requirements in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

- HKAS 17 (amendment) "Lease" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The effect of the adoption of this amendment is as below:

	1 January 2010	**1 January 2009**
	HK$' million	*HK$' million*
Decrease in leasehold land and land use rights	(146)	(149)
Increase in property, plant and equipment	146	149

(ii) Revised Standard that is not effective in 2010 but has been early adopted by the Group

- HKAS 24 (Revised) "Related party disclosures" (effective from 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose: (i) the name of the government and the nature of their relationship; (ii) the nature and amount of any individually-significant transactions; and (iii) the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group has partially early adopted the exemption for disclosures of transactions among government-related entities and the government since 1 January 2009.

2 Revenue

The principal activities of the Group comprise ports operations and ports-related operations. Revenue consists of turnover recognised under the following business activities during the period.

	Six months ended 30 June	
	2010	**2009**
	HK$'million	*HK$'million*
Ports service and transportation income, container service and container yard management income	1,983	1,635
Gross rental income from investment properties	16	16
	1,999	1,651

3 Segment information

The Chief Operation Decision-Maker ("CODM") has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM considers the Group's operations 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 operated by the Group and the Group's associates and jointly controlled entities. Ports-related operations include paint manufacturing operated by the Group, which was disposed in January 2009, and container manufacturing operated by the Group's associate. Other operations include property investment and corporate function.

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

The Group is domiciled in Mainland China. Over 90% of its non-current assets are located in Mainland China and over 90% of its revenue are derived from ports operations in Mainland China. There is no single customer who accounted for over 10% of the Group's total revenue.

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:

	For the six months ended 30 June 2010							
	Ports operations					Ports-related operations	Other operations	Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue								
Company and subsidiaries	1,693	98	—	192	1,983	—	16	1,999
Share of associates	880	497	2,105	3	3,485	6,020	—	9,505
Share of jointly controlled entities	16	—	121	501	638	—	—	638
Total	2,589	595	2,226	696	6,106	6,020	16	12,142

	For the six months ended 30 June 2009							
	Ports operations					Ports-related operations	Other operations	Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue								
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
Total	2,477	533	1,904	463	5,377	2,653	16	8,046

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows:

	For the six months ended 30 June 2010									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations										
Operating profit/(loss)	911	10	46	99	1,066	—	67	(75)	(8)	1,058
Share of profits less losses of										
– Associates	272	169	701	(2)	1,140	260	—	—	—	1,400
– Jointly controlled entities	2	—	35	88	125	—	—	—	—	125
	1,185	179	782	185	2,331	260	67	(75)	(8)	2,583
Finance costs - net	(32)	—	—	(42)	(74)	—	—	(232)	(232)	(306)
Taxation	(110)	(2)	(41)	(5)	(158)	(22)	(4)	—	(4)	(184)
Profit/(loss) for the period from continuing operations	1,043	177	741	138	2,099	238	63	(307)	(244)	2,093
Non-controlling interests	(160)	—	—	(4)	(164)	—	—	—	—	(164)
Profit/(loss) attributable to equity holders of the Company	883	177	741	134	1,935	238	63	(307)	(244)	1,929
Discontinued operation										
Gain on disposal of discontinued operation	—	—	—	—	—	—	—	—	—	—
Non-controlling interests										164
Profit attributable to equity holders of the Company										1,929
Profit for the period										2,093
Other information:										
Depreciation and amortisation										
Continuing operations	307	4	—	63	374	—	—	3	3	377
Capital expenditure										
Continuing operations	169	6	—	24	199	—	—	—	—	199

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows: (Continued)

	For the six months ended 30 June 2009									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations										
Operating profit/(loss)	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/(loss) for the period from continuing operations	664	172	514	(27)	1,323	200	101	(291)	(190)	1,333
Non-controlling interests	(99)	—	—	2	(97)	—	—	—	—	(97)
Profit/(loss) attributable to equity holders 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
Non-controlling interests										97
Profit attributable to equity holders 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 assets and liabilities by segments is as follows:

	As at 30 June 2010									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Segment assets (excluding interests in associates and jointly controlled entities)	20,001	176	2,106	3,206	25,489	—	981	2,804	3,785	29,274
Interests in associates	2,219	2,132	10,159	103	14,613	4,494	—	—	—	19,107
Interests in jointly controlled entities	25	3	677	3,258	3,963	—	—	—	—	3,963
Total segment assets	22,245	2,311	12,942	6,567	44,065	4,494	981	2,804	3,785	52,344
Non-current assets held for sale	—	—	—	1,344	1,344	—	—	—	—	1,344
	22,245	2,311	12,942	7,911	45,409	4,494	981	2,804	3,785	53,688
Deferred tax assets										34
Total assets										53,722
Segment liabilities	(3,979)	(41)	—	(2,354)	(6,374)	—	(5)	(10,026)	(10,031)	(16,405)
Taxation payable										(114)
Deferred tax liabilities										(723)
Total liabilities										(17,242)

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

	As at 31 December 2009									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Segment assets (excluding interests in associates and jointly controlled entities)	19,336	89	1,924	3,524	24,873	—	927	2,552	3,479	28,352
Interests in associates	2,117	2,145	10,061	104	14,427	4,360	—	—	—	18,787
Interests in jointly controlled entities	22	3	675	2,042	2,742	—	—	—	—	2,742
Total segment assets	21,475	2,237	12,660	5,670	42,042	4,360	927	2,552	3,479	49,881
Non-current assets held for sale	—	—	—	2,553	2,553	—	—	—	—	2,553
	21,475	2,237	12,660	8,223	44,595	4,360	927	2,552	3,479	52,434
Deferred tax assets										34
Total assets										52,468
Segment liabilities	(4,290)	(41)	—	(2,485)	(6,816)	—	(5)	(9,231)	(9,236)	(16,052)
Taxation payable										(61)
Deferred tax liabilities										(736)
Total liabilities										(16,849)

4 Other gains, net and other income

	Six months ended 30 June	
	2010	**2009**
	HK$' million	*HK$' million*
Other gains, net		
Increase in fair value of investment properties	55	96
Reversal of provision for terminal construction cost	58	—
Gain on disposal of land use rights and property, plant and equipment	61	24
Net exchange losses	(7)	(8)
	167	112
Other income		
Dividend income from available-for-sale financial assets	74	84
Others	4	—
	78	84

5 Expenses by nature

	Six months ended 30 June	
	2010	**2009**
	HK$' million	*HK$' million*
Depreciation of property, plant and equipment	313	336
Amortisation of land use rights	64	69
Staff costs (including Directors' emoluments)	253	240
Fuel and utilities	124	109
Subcontracting fees	205	167
Operating lease rentals in respect of		
- land and buildings	47	51
- plant and machinery	14	24
Other expenses	166	156
Total cost of sales and administrative expenses	1,186	1,152

6 Finance income and costs

	Six months ended 30 June	
	2010	**2009**
	HK$' million	*HK$' million*
Interest income from:		
Bank deposits	16	8
Finance income	16	8
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(23)	(51)
- not wholly repayable within five years	(2)	(2)
Listed notes payable		
- wholly repayable within five years	(179)	(72)
- not wholly repayable within five years	(56)	(160)
Loans from the ultimate holding company	(48)	(71)
Loans from an intermediate holding company	(17)	—
Total borrowing costs incurred	(325)	(356)
Less: amount capitalised in assets under construction (Note)	3	25
Finance costs	(322)	(331)
Finance costs - net	(306)	(323)

Note: Capitalisation rate of 4.39% per annum (2009: 4.44% 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% (2009: 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 standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in the PRC before 1 January 2008 previously taxed at preferential rate of 15%, PRC corporate income tax rate is 20%, 22% and 24% in 2009, 2010 and 2011 respectively whereas 25% standard rate will be applied from year 2012 onwards. Certain of the Group's 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 previous years or 1 January 2008. 10% withholding income tax is also imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for investments 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 the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010	**2009**
	HK$' million	*HK$' million*
Current taxation		
Hong Kong profits tax	2	1
PRC corporate income tax	65	43
Withholding income tax	119	79
Deferred taxation	(2)	29
	184	152

8 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 Hempel A/S, the non-controlling 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 had been recognised in the condensed consolidated income statement during the six months ended 30 June 2009.

9 Interim dividend

	Six months ended 30 June	
	2010	**2009**
	HK$'million	*HK$'million*
Interim dividend of 25 HK cents (2009: 25 HK cents) per share	610	607

At a meeting held on 30 August 2010, the Directors proposed an interim dividend of 25 HK cents 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 equity holders 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 2010.

The amount of interim dividend for 2010 was based on 2,439,883,297 (2009: 2,428,792,562) shares in issue as at 30 August 2010.

10 Earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable equity holders of the Company 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 2010			
Profit attributable to equity holders of the Company (HK$'million)	1,929	—	1,929
Weighted average number of ordinary shares in issue	2,433,156,101	2,433,156,101	2,433,156,101
Basic earnings per share (HK cents)	79.25	—	79.25
For the six months ended 30 June 2009			
Profit attributable to equity holders of the Company (HK$'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

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average interim market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares of that would have been issued assuming the exercise of the share options.

Diluted	**Continuing operations**	**Discontinued operation**	**Total**
For the six months ended 30 June 2010			
Profit attributable to equity holders of the Company (HK$'million)	1,929	—	1,929
Weighted average number of ordinary shares in issue	2,433,156,101	2,433,156,101	2,433,156,101
Adjustment for share options	5,680,704	5,680,704	5,680,704
Weighted average number of ordinary shares for diluted earnings per share	2,438,836,805	2,438,836,805	2,438,836,805
Diluted earnings per share (HK cents)	79.06	—	79.06
For the six months ended 30 June 2009			
Profit attributable to equity holders of the Company (HK$'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

11 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$708 million (31 December 2009: HK$556 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 2010 *HK$'million*	**31 December 2009** *HK$'million*
Not yet due	173	165
1 - 30 days	271	195
31 - 60 days	148	99
61 - 120 days	64	60
Over 120 days	52	37
	708	556

12 Non-current assets held for sale

On 18 December 2009, the Group entered into a Joint Venture Agreement (the "JV Agreement") with Qingdao New Qianwan Container Terminal Co., Ltd. ("QQCTN") to establish a joint venture, Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU"). Each of the Group and QQCTN owns 50% equity interest in QQCTU. The principal activities of QQCTU are construction, operation and management of container terminals on the southern bank of Qianwan Harbour District of Qingdao Port and the provision of port-related services.

Pursuant to the JV Agreement, the Group and QQCTN shall respectively inject or sell certain of and all of their assets, including berths, storage yards and ancillary facilities and machinery to QQCTU. As at 31 December 2009, the aggregate carrying value of the assets to be injected or sold by the Group to QQCTU is HK$2,553 million (comprising land use rights of HK$233 million and property, plant and equipment of HK$2,320 million) and the amount has been presented as non-current assets held for sale in the consolidated financial statements as at 31 December 2009.

During the six months ended 30 June 2010, the Group incurred an additional berth construction cost of HK$43 million and has classified such assets as non-current assets held for sale. In addition, the Group injected and sold HK$1,596 million of assets previously classified as non-current assets held for sale to QQCTU and recognised a gain on disposal of HK$60 million during the six months ended 30 June 2010.

On 5 June 2010, similar arrangement has been carried out by the Group and Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group") to establish a joint venture, Qingdao Qianwan West Port United Terminal Co., Ltd. ("QQTU"). The Group and Qingdao Port Group owns 49% and 51% equity interest in QQTU respectively. The principal activities of QQTU are construction, operation and management of bulk cargo terminal in Qianwan Harbour District of Qingdao Port and the provision of port-related services.

As at 30 June 2010, the aggregate carrying value of the assets to be injected or sold by the Group to QQTU is HK$344 million (comprising land use rights of HK$71 million and property, plant and equipment of HK$273 million) and the amount has been presented as non-current assets held for sale as at 30 June 2010.

13 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$82 million (31 December 2009: HK$86 million). The ageing analysis of trade creditors is as follows:

	30 June 2010 *HK$'million*	**31 December 2009** *HK$'million*
0 - 30 days	43	49
31 - 60 days	8	9
61 - 120 days	8	8
Over 120 days	23	20
	82	86

Management Discussion and Analysis

In the first half of 2010, China's foreign trade showed a trend of growth recovery. Total value for imports and exports rose 43.1% over the same period last year, with exports and imports up 35.2% and 52.7% respectively. China's foreign trade reverted to growth, led mainly by the recovery in global economy as well as inventory restocking by Europe and the United States. Growth of exports to markets in ASEAN, Brazil and Indian is the main driver force behind China's export growth during the first half year.

During the period under review, the global shipping market has been recovering with noticeable increase in container traffic for all major trade routes. The Group took hold of the opportunity of an uprising market and sought to continue to improve customer service qualities thereby elevating customer satisfaction. Combined with further resource integration that brought about scale and synergy benefits, and implementation of intensified cost-control measures, these have enabled the Group to achieve remarkable operating results in the first half of the year.

For the period ended 30 June 2010, the profit attributable to the equity holders of the Company amounted to HK$1,929 million, representing an increase of 11.6% year-on-year. Of this amount, recurrent profit was HK$1,878 million, an increase of 63.9%. The Group's core segment of ports operations recorded an EBITDA of HK$3,602 million, representing an increase of 36.6% year-on-year. The share of EBITDA from ports operations relative to the Group's total EBITDA rose to 85.9%, up from 82.5% of last year.

The Group recorded revenue of HK$1,999 million, representing an increase of 21.1% year-on-year. Of this amount, revenue derived from the Group's port operations amounted to HK$1,983 million, an increase of 21.3% .

Ports operations

During the first half of the year, EBIT derived from the Group's ports operations amounted to HK$2,762 million, representing an increase of 56.4% year-on-year and accounting for 85.8% of the overall EBIT of the Group, up from 79.7% in the same period last year.

During the period under review, the port projects in which the Group is interested handled a total of 24,933,000 TEUs, representing an increase of 22.5% over that for the same period last year. Of this total, the volume handled by the Group's ports in Mainland China reached approximately 21,916,000 TEUs, a 24.6% increase year-on-year. Shenzhen Western Port Zone handled 5,568,000 TEUs, representing an increase of 31.7% year-on-year. Shanghai International Port (Group) Co., Ltd. ("SIPG") handled 13,855,000 TEUs approximately, an increase of 18.8% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd recorded a throughput of 755,000 TEUs, representing an increase of 46.1% year-on-year. Tianjin Five Continents International Container Terminal Co., Ltd. handled 910,000 TEUs, representing a decrease of 3.6% when compared to that handled in the same period last year. Zhangzhou China Merchants Port Co., Ltd ("Zhangzhou Port") recorded a throughput of 229,000 TEUs, an increase of 60.3%. Qingdao Qianwan United Container Terminal Limited, the joint-venture formed in December 2009 between the Group's wholly-owned subsidiary, China Merchants International Container Terminal (Qingdao) Co. Ltd ("CMT") and Qingdao New Qianwan Container Terminal Co., Ltd, a container handling unit of Qingdao Port Group Co., Ltd. ("QPG") recorded in the first half year of 2010 a throughput volume of 459,000 TEUs, reflecting a breakthrough of the Group's operation in Qingdao. Zhanjiang Port (Group) Co., Ltd. ("Zhanjiang Port Group") handled 124,000 TEUs, representing an increase of 47.5%; The Group's ports in Hong Kong recorded a throughput of 3,016,000 TEUs, an increase of 9.7%.

The ports of the Group handled in total 135 million tons of bulk cargoes in the first half of 2010, an increase of 25.3% over that for the same period last year. Of this total throughput, Zhanjiang Port Group handled 31,374,000 tons of throughput, representing an increase of 8.9% year-on-year. Shenzhen Western Port Zone handled approximately 18,032,000 tons, representing an increase of 5.5% year-on-year. Zhangzhou Port handled 3,471,000 tons, representing an increase of 3.0% year-on-year. SIPG handled 76,822,000 tons of bulk cargo, an increase of 31.4% year-on-year, while CMT handled 4,887,000 tons, a jump of 14.5 times year-on-year.

Statistics published by the Ministry of Transport of China reveal that key ports in China handled a total container throughput of 67,800,000 TEUs in the first half of the year, representing an increase of 22.3% year-on-year. Of this figure, container volumes handled by the Group's ports in the Mainland accounted for 32.3%. The Group's container throughput in the Mainland in the first half year recorded a growth of 24.6%, which is higher than the national average.

During the period under review, the Group's stake in Mega Shekou Container Terminals Limited has been, from March 2010 onward, raised to 80% upon certain conditions having been satisfied. This represented the final stage of the completion process in accordance with the asset restructure agreement signed with Modern Terminals Limited in December 2006. The Group continued its efforts to develop Shenzhen Western Port Zone so as to further enhance its competitiveness in the location. Business integration endeavours at Shenzhen Western Port Zone have helped to intensify the cooperation of container terminals within Group's Western Port Zone, namely, Chiwan Port Zone, Shekou Port Zone and Mawan Port Zone. At the operational level, container terminals handling foreign trade within the Western Port Zone have begun to share, under the cooperation mechanism, shoreline and equipment resources. The first half year also saw a number of environmental improvements at the Western Port Zone. In addition, the Group is urging government departments to enhance the access capacity of the Tonggu Channel with which the Western Port Zone's development will be, the Group expects, further enhanced.

Since Shenzhen Qianhaiwan Bonded Port Zone has been officially put into operation last year, the Group's port logistics business offered by China Merchants Maritime & Logistic (Shenzhen) Ltd. ("CMML") has been running smoothly with fast-growing business volume seen. The bonded logistics park's being adjacent to, and the policy incentives offered by, the Bonded Port Zone have attracted a number of well-known international logistics service-providers to establish regional distribution centers at the logistics park. Given the operating performance of CMML's bonded logistics business in the first half of the year, the role of the bonded logistics parks to promote the business of the Group's Shenzhen Western Port Zone is becoming increasingly prominent. The Group has continued to expand the South China shuttle barge services, whose network coverage has increased from 17 locations at the end of 2009 to 21 locations (covering 47 terminals) by the end of June this year. In the first half of the year, the number of containers accounted for by the South China shuttle barges increased 46.6% compared to the same period last year.

The Group believes that development at the Shenzhen Western Port Zone will continue to consolidate and enhance the competitive advantage of the Zone, whilst, at the same time, lending strong support – such as the provision of management experience and professional human resources - for the development of the Group's overseas projects.

Moreover, in June 2010, the Group signed an agreement with China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), pursuant to which CMHK agreed, for a one-off nominal consideration of Rmb 1 to entrust the Group with the right to manage and vote in respect of the 23.493% equity in China Nanshan Development (Group) Inc (the "Nanshan Group") beneficially-owned by Guangdong Guangye Investment Holdings Limited. The Nanshan Group, in which the Group already owns 37.014%, is a major shareholder in Shenzhen Chiwan Wharf Co., Ltd. and, in turn, Chiwan Container Terminal Co., Ltd. This agreement, which has been duly approved in August 2010 by the Group's shareholders other than the China Merchants Group, its majority shareholder, will enable the Group to further influence the business operation of the Nanshan Group, thereby enabling the Group to derive strategic benefits through a closer integration between the Group's port operations and those of the Nanshan Group, and in turn, strengthening the Group's presence in Shenzhen Western Port Zone.

During the period under review, stemmed from the achievements made last year, the Group has continued to push further cost control measures. It has rolled out new procedures in areas such as establishing comparative cost-control indicator system benchmarks, building cost-analysis models and models aiming to optimize outsourcing mechanism, innovating equipment and production technologies, centralizing procurements and spare-parts management, and improving cost-control incentive systems. The Group believes that the measures so implemented will elevate its integrated operating qualities to a higher platform.

Subsequent to the conclusion in business cooperation between the Group and QPG in container handling at the end of last year, in June 2010, CMT signed a further agreement with QPG whereby the two parties agree to respectively inject into a new joint-venture from either side related resources for bulk cargo terminals at the Qianwan Port Zone in Qingdao. The new joint venture, named as Qingdao Qianwan West Port United Terminal Co. Limited, will operate two existing bulk berths from CMT and five existing berths from QPG at the Qianwan Port Zone. The full strategic co-operation between the Group and QPG is conducive to nurturing a mutually beneficial, harmonious and healthy business environment in the Qianwan Port Zone for creating new opportunities and rooms for future expansion. It also facilitates an overall planning that permits functional allocations through joining resources and optimizing port-zone utilization, hereby ensuring port resources at Qingdao are applied in the most advantageous pattern. In addition, it helps to accomplish scale and efficiency at terminals whilst satisfying the needs of cargo-owners and shipping customers, thereby delivering quality ports logistics services to, and thus enhancing the economic development of, the proximity. Overall, it will help to raise the net return on assets of the port and in turn create greater investment returns for shareholders.

During the first half of 2010, the Group has been steadily following its overseas development projects. In addition to the container terminal projects in Sri Lanka and Vietnam, the Group has been actively tracing opportunities in operating and management. The Group has, in response to prevailing economic conditions, made modest adjustments to its pace for developing overseas projects. As current market environment changes, the Group expects to see new progress for overseas investment projects during the year.

Ports-related operations

During the first half of 2010, EBIT generated by the Group's ports-related operations amounted to HK$389 million, an increase of 13.7% when compared to that for the same period last year. China International Marine Containers (Group) Co., Ltd. resumed strong growth in container and road vehicle business driven by economic recovery. Sales from dry box and refrigerated box business increased to 425,300 TEUs and 33,000 TEUs this year from 4,500 TEUs and 23,500 TEUs in the same period last year respectively. Special containers recorded sales of 24,500 units, down 9.4% over the same period last year. Special road vehicles recorded sales of 83,000 units, up 85.3% over the same period last year.

Corporate Social Responsibility

At the same time as it seeks to create shareholders' value and provide quality services to customers, the Group as a corporate citizen always aims to duly perform its corporate social responsibilities and obligations by devoting resources and contributions in the areas of environmental protection and social activities.

In compliance with provisions of the Chinese Government and the Hong Kong Government, the Group has succeeded in reducing waste gas emissions from its operations and has implemented measures to control such emission. Meanwhile, benchmarking off similar standards initiated by the International Maritime Organization (IMO) and the Intergovernmental Panel on Climate Change (IPCC), the Group has drawn up dedicated programmes for environmental protection and sustainable developments. The "oil-to-electricity" programme, which converts rubber tyre gantry cranes at Shenzhen Western Port Zone from consuming diesel oil to consuming electricity has greatly reduced pollution within the port area. The use of South China shuttle barges has offered a significantly-lower-emission alternative for container box traffic along the Pearl River Delta than if these boxes were carried by land transport. The policy for ships docked to switch to "shore" power implemented in Qingdao Container Terminal has significantly lessened gas emissions at the terminal's quay area. The Group has adopted stringent policies in ensuring health and safety and has, via its head office and certain terminal units, been carrying certifications such as ISO14001 and ISO28000, which help to not only elevate the Group's supply chain security standards but also enable the Group to identify and hence mitigate risks that could possibly emerge.

During the first six months of this year, in addition, the Group has contributed in the areas such as offering help to those needy students and the poor, made charitable donations and engaged in community services, etc. The Group is also one of the funding members of the China Merchants Charity Fund, the charter of which is to help the poor and patients of certain diseases and to provide ready assistance to the society when needed, for instance, for the recent disaster relief in China.

Future prospects

Whilst the total container throughput of ports in China during the first half of the year has sequentially peaked, the container volume for certain major coastal ports has yet to align to their respective levels achieved for the same period last year. In addition, the Group has noticed that China's exports during this period, though having increased substantially over those for the corresponding period last year, only represents single-digit percentage growth when compared to the same period of 2008. Changes in the external markets such as the European sovereign debt crisis and international trade frictions have all compounded to the uncertainty of the prevailing trend of China's foreign trade.

In the meantime, although the growth of container throughput might be slightly dampened due to the lagging effect of the sovereign debt crisis in Europe, the Group maintains that opportunities for new growth still exist in the market. The official launch of the China-ASEAN Free Trade Area and the bilateral trades between China and respectively Brazil, India and other emerging markets will be the main growth drivers for foreign trade, which will, it is expected, be the new growth potential for China's foreign trade. During the period under review, trade volume between China and the ASEAN countries basically equals to that for China and Japan, and the ASEAN countries are expected to soon surpass Japan and become China's third largest trading partner. The Group is of the view that China's economic growth and its pursuing a proactive foreign trade policy will facilitate the continuous and steady development of China's port industry.

In the second half of the year, the Group will proceed to intensify its management efforts by streamlining and integrating processes at all levels - from customer services to business development, operations and cost management, capitalizing on available opportunities with a view to achieving better results. The Group will continue to encourage synchronised cooperation in the areas of business and operation within the Shenzhen Western Port Zone so as to create synergy for the ports in the location. The Group will work towards enhancing the competitive edge of Shenzhen Western Port Zone by tapping the incentive policies availed by Shenzhen Qianhaiwan Bonded Port Zone as well as by offering innovative and customer-oriented services. The Group will continue to implement technological innovating programmes such as the "oil-to-electricity" conversion for rubber tire gantry cranes so as to continue to streamline the operational processes at terminals, enhance efficiency through advanced cost management models, all in all resulting in value creation for both customers and shareholders. The Group will also continue to place increasing emphasis on environmental protection and on establishing "green" ports, which will ensure sustainable development of ports.

In addition to consolidating and enhancing its existing terminal network on an on-going basis, the Group is actively positioning for the future through identifying and monitoring of investment opportunities, both domestic and international.

Following up the formation in April 2010 of China Merchants Americold Logistics Company Limited ("CMAC"), a 51%:49% joint venture between the Group and Americold Realty Trust, in July this year CMAC acquired from the Group the latter's 70% shareholding in China Merchants International Cold Chain (Shenzhen) Company Limited. CMAC has also agreed to acquire from Rich Products Corporation the latter's business in cold chain logistics service conducted through Kang Xin Logistics (Tianjin) Co., Ltd. The Group values the business potential induced by the increasing consumption demand in China resulted from improvements in domestic affluence. Spring-boarded from its platform of an integrated ports operation, this investment in the cold chain logistics service sector through CMAC, therefore, will represent not only an important step of the Group in implementing its strategy towards engaging in integrated third-party logistics, but also a new business and earnings driver for the Group in future.

In July 2010, the Group signed a full strategic cooperation framework agreement with Chu Kong Shipping Development Company Limited under which the two parties agree to apply their respective resource advantages, including terminals, cargo- and transport- networks in the Pearl River Delta towards further smoothening the river-sea connectivity and hence expanding the cargo traffic business in the Shenzhen Western Port Zone. This alliance is expected to reinforce Shenzhen Western Port Zone as the key international maritime hub at the Pearl River Delta for cargo traffic generated throughout South China, thereby enabling the Shenzhen Western Port Zone to create incremental container throughput.

With our years of experience in the industry and our business management capabilities, and backed by the Group's comprehensive positioning of ports assets in China, we firmly believe that our ports operations will continue to secure sustainable growth alongside China's steady economic development. In addition, the Group will timely capitalize on available opportunities to expand overseas with a view to adding new growth drivers for its business. The Group is of the opinion that there is still significant scope for expansion within the ports sector and the Group will be able to realize better economic benefits and investment returns for shareholders.

Liquidity and treasury policies

As at 30 June 2010, the Group had approximately HK$3,995 million in cash, 56.6% of which was denominated in Hong Kong dollars, 5.5% in United States dollars, 37.3% 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, which together contributed HK$1,307 million in total.

During the period, the Group's capital expenditure amounted to HK$199 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, the Group supported by adequate undrawn bilateral facilities 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 2010, the Company had 2,433,369,023 shares in issue. During the period, the Company issued 620,000 new shares upon the exercise of share options and received HK$12 million as a result. On 16 July 2010, the Company issued 6,439,274 shares under the Company's scrip dividend scheme.

As at 30 June 2010, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 29.9%.

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 2010, the Group's outstanding interest-bearing debts were analyzed as below:

	30 June 2010	**31 December 2009**
	HK$' million	*HK$' million*
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	1,785	1,795
Between 1 and 2 years	295	394
Between 2 and 5 years	1,053	1,123
Not wholly repayable within 5 years	80	79
	3,213	3,391
Fixed-rate listed notes payables are repayable:		
In 2013	2,322	2,312
In 2015	3,878	3,862
In 2018	1,535	1,528
	7,735	7,702
Loans from the ultimate holding company	2,638	2,566
Loans from an intermediate holding company	644	738

Note: all bank borrowings are unsecured except for HK$6 million (2009: HK$7 million).

The interest bearing debts are denominated in the following currencies:

	30 June 2010					31 December 2009				
	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 an intermediate holding company	Loans from the ultimate holding company	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
HKD & USD	2,900	7,735	—	—	10,635	2,926	7,702	—	—	10,628
RMB	313	—	644	2,638	3,595	465	—	738	2,566	3,769
	3,213	7,735	644	2,638	14,230	3,391	7,702	738	2,566	14,397

Assets charge

As at 30 June 2010, the Company did not have any charge over its assets. However, bank loans of HK$6 million (31 December 2009: HK$7 million) borrowed by a subsidiary were secured by its property, plant and equipment with net book value as at 30 June 2010 of HK$30 million (31 December 2009: HK$47 million).

Employees and remuneration

As at 30 June 2010, the Group employed 4,035 full time staff, of which 56 worked in Hong Kong and the remaining 3,979 were in the PRC. The remuneration paid for the period amounted to HK$253 million, representing 21.3% 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 31.6%. The interim dividend will be paid on or around 26 November 2010 to shareholders whose names appear on the register of members of the Company on 8 October 2010, 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 22 October 2010. 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 26 November 2010.

Closure of register

The Register of Members will be closed from 4 October 2010 to 8 October 2010 (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 Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30 September 2010. The interim dividend will be paid on or around 26 November 2010 to shareholders whose names appear on the register of members of the Company on 8 October 2010.

Corporate governance

(a) Compliance with the Code on Corporate Governance Practices

Save as disclosed below, 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

Dr. Fu Yuning, the Chairman of the Company, has also been acting as the Managing Director of the Company with effect from 31 May 2005. With effect from 26 March 2010, Mr. Hu Jianhua has been re-designated as the Managing Director of the Company in place of Dr. Fu Yuning. Dr. Fu remains as the Chairman of the Company.

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.

(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 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. Mr. Lee Yip Wah Peter was appointed as the Chairman of the Audit Committee in replacement of the late Mr. Tsang Kam Lan. 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 2010.

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 2010 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
Fu Yuning
Chairman

Hong Kong, 30 August 2010

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. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.