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)

- Throughput of containers handled reached 29.18 million TEUs, up 5.6% (2011: 27.61 million TEUs)
- Throughput of bulk cargoes handled reached 162 million tons, up 1.1% (2011: 161 million tons)
- Profit attributable to equity holders of the Company
  - √ HK$1,756 million, down 55.2% (2011: HK$3,924 million (as restated))
  - √ HK$1,609 million, down 32.3%, if exceptional gains were excluded (2011: HK$2,375 million (as restated))
  - √ HK$1,655 million, up 1.5%, from ports operation (2011: HK$1,630 million (as restated))
- Basic earnings per share totaled 70.97 HK cents, down 55.5% (2011: 159.59 HK cents (as restated))
- Interim dividend of 22 HK cents per share (2011: 30 HK cents per share)

2012 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Unaudited 2012 *HK$'million*	2011 *HK$'million* *(restated)*
Revenue	2	4,793	4,196
Cost of sales	5	(2,737)	(2,312)
Gross profit		2,056	1,884
Other gains, net	4	503	1,856
Other income	4	90	54
Distribution costs	5	(31)	(20)
Administrative expenses	5	(568)	(487)
Operating profit		2,050	3,287
Finance income	6	73	62
Finance costs	6	(628)	(427)
Finance costs, net	6	(555)	(365)
Share of profits less losses of			
Associates		1,325	1,983
Jointly controlled entities		147	162
Profit before taxation		2,967	5,067
Taxation	7	(502)	(558)
Profit for the period		2,465	4,509
Attributable to:			
Equity holders of the Company		1,756	3,924
Non-controlling interests		709	585
Profit for the period		2,465	4,509
Dividend	8	548	741
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		70.97	159.59
Diluted (HK cents)		70.87	158.99

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Unaudited	
	2012	**2011**
	HK$'million	*HK$'million*
		(restated)
Profit for the period	2,465	4,509
Other comprehensive (expense)/income		
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	(264)	1,008
Increase in fair value of available-for-sale financial assets, net of deferred taxation	118	53
Share of investment revaluation reserve of associates	—	1
Share of other reserves of associates and a jointly controlled entity	(4)	(15)
Share of net actuarial loss on a defined benefit plan of an associate	(15)	—
Other comprehensive (expense)/income for the period, net of tax	(165)	1,047
Total comprehensive income for the period	2,300	5,556
Total comprehensive income attributable to:		
Equity holders of the Company	1,653	4,740
Non-controlling interests	647	816
	2,300	5,556

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Unaudited 30 June 2012 HK$'million	Audited 31 December 2011 HK$'million (restated)	Audited 1 January 2011 HK$'million (restated)
ASSETS				
Non-current assets				
Goodwill		3,333	3,338	3,298
Intangible assets		1,247	1,253	91
Property, plant and equipment		17,556	18,269	16,835
Investment properties		5,060	4,340	3,662
Land use rights		9,843	9,883	9,683
Interests in associates		26,720	27,394	23,701
Interests in jointly controlled entities		5,019	5,038	4,589
Other financial assets		2,050	1,919	2,418
Prepayments		403	344	342
Deferred tax assets		133	136	114
		71,364	71,914	64,733
Current assets				
Inventories		287	240	159
Properties under development and held for sale		4,691	4,380	2,241
Other financial assets		708	963	382
Debtors, deposits and prepayments	10	3,928	2,776	4,484
Taxation recoverable		2	2	—
Cash and bank balances		12,220	6,811	6,352
		21,836	15,172	13,618
Non-current assets held for sale	12	831	—	—
		22,667	15,172	13,618
Total assets		94,031	87,086	78,351

	Note	Unaudited 30 June 2012 *HK$'million*	Audited 31 December 2011 *HK$'million* *(restated)*	 1 January 2011 *HK$'million* *(restated)*
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		247	247	246
Reserves		42,619	41,522	36,905
Proposed dividend		548	1,683	1,918
		43,414	43,452	39,069
Non-controlling interests		11,957	11,355	10,329
Total equity		55,371	54,807	49,398
LIABILITIES				
Non-current liabilities				
Loans from the ultimate holding company		979	985	938
Loans from an intermediate holding company		614	—	587
Other financial liabilities		17,545	16,231	14,144
Other non-current liabilities		1,073	1,049	—
Deferred tax liabilities		2,409	2,304	2,038
		22,620	20,569	17,707

	Note	Unaudited 30 June 2012 *HK$'million*	Audited 31 December 2011 *HK$'million* *(restated)*	 1 January 2011 *HK$'million* *(restated)*
Current liabilities				
Creditors and accruals	11	7,333	3,888	4,382
Loans from the ultimate holding company		1,010	1,615	1,748
Loans from an intermediate holding company		—	616	—
Other financial liabilities		7,390	5,279	4,855
Taxation payable		307	312	261
		16,040	11,710	11,246
Total liabilities		38,660	32,279	28,953
Total equity and liabilities		94,031	87,086	78,351
Net current assets		6,627	3,462	2,372
Total assets less current liabilities		77,991	75,376	67,105

NOTES:

1 **Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, 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 2011, as described therein.

Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, a number of amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the adoption of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted. As a result of the adoption of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of its investment properties in Hong Kong as the Group is not subject to any major income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of its investment properties in Hong Kong on the basis that the entire carrying amounts of the properties were recovered through use. The amendments to HKAS 12 have been adopted retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$27 million and HK$47 million as at 1 January 2011 and 31 December 2011 respectively, with the corresponding adjustment being recognised in retained earnings.

In addition, the adoption of the amendments has resulted in the Group's income tax expense for the six months ended 30 June 2012 and 30 June 2011 being reduced by HK$3 million and HK$18 million, respectively, and hence resulted in the profit for the six months ended 30 June 2012 and 30 June 2011 being increased by HK$3 million and HK$18 million, respectively.

The effects of the above changes in accounting policy on the financial positions of the Group as at 1 January 2011 and 31 December 2011 are summarised as follows:

	As at 1 January 2011 (as previously stated)	**Effects of adoption of amendments to HKAS 12**	**As at 1 January 2011 (as restated)**	**As at 31 December 2011 (as previously stated)**	**Effects of adoption of amendments to HKAS 12**	**As at 31 December 2011 (as restated)**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Deferred tax liabilities	(2,065)	27	(2,038)	(2,351)	47	(2,304)
Other assets and liabilities	51,436	—	51,436	57,111	—	57,111
Net assets	49,371	27	49,398	54,760	47	54,807
Share capital, share premium and other reserves	21,862	—	21,862	23,517	—	23,517
Retained earnings	17,180	27	17,207	19,888	47	19,935
Non-controlling interests	10,329	—	10,329	11,355	—	11,355
Total equity	49,371	27	49,398	54,760	47	54,807

The effects of the above changes in accounting policy on the basic and diluted earnings per share for the six months ended 30 June 2012 and 2011 are set out as follows:

	Six months ended 30 June	
	2012	**2011**
	HK cents	*HK cents*
Increase in basic earnings per share	0.11	0.74
Increase in diluted earnings per share	0.11	0.74

The Group considers that its investment properties in Mainland China are to be consumed substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and that the presumption set out in the amendments to HKAS 12 is rebutted. The Group continues to recognise deferred taxes on changes in fair value of its investment properties in Mainland China on the basis that the entire carrying amounts of the properties were recovered through use and hence, the adoption of the amendments to HKAS 12 on the Group's investment properties in Mainland China has no effect on the amounts in this condensed consolidated interim financial information.

The adoption of the other new or revised HKFRSs has had no material effect on the amounts in this condensed consolidated interim financial information or disclosures set out in this condensed consolidated interim financial information.

2 **Revenue**

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and property development and investment. Revenue consists of turnover recognised under the following business activities during the period.

	Six months ended 30 June	
	2012	**2011**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	3,268	3,092
Logistics services income (including rental income)	831	633
Sales of properties and goods	674	452
Gross rental income from investment properties	20	19
	4,793	4,196

3 **Segment information**

The key management team of the Company is regarded as the Chief Operation Decision-Maker ("CODM"). 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 operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations. Ports operation is further evaluated on a geographic basis, including the Pearl River Delta excluding Hong Kong ("PRD excluding HK"), Hong Kong, Yangtze River Delta and other locations.

Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and the Group's associates and jointly controlled entities. Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and the Group's associates. Port-related manufacturing operations include construction of modular housing and container manufacturing operated by the Group and the Group's associates. Other operations include property development and investment and corporate function.

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

Over 90% of the Group's non-current assets are located in Mainland China and over 90% of its revenue is derived 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 2012

	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE									
Company and subsidiaries	2,862	117	—	289	3,268	831	314	380	4,793
Share of associates	80	444	3,638	237	4,399	264	9,249	570	14,482
Share of jointly controlled entities	—	9	143	838	990	—	—	345	1,335
Total	2,942	570	3,781	1,364	8,657	1,095	9,563	1,295	20,610

For the six months ended 30 June 2011

	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$' million*	*HK$' million*	*HK$'million*
REVENUE									
Company and subsidiaries	2,743	113	—	236	3,092	633	109	362	4,196
Share of associates	81	481	2,515	197	3,274	237	11,641	299	15,451
Share of jointly controlled entities	—	10	137	714	861	—	—	351	1,212
Total	2,824	604	2,652	1,147	7,227	870	11,750	1,012	20,859

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 2012										
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and 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*	*HK$' million*
Operating profit/(loss)	1,316	15	46	54	1,431	690	15	(4)	(82)	(86)	2,050
Share of profits less losses of											
- Associates	22	101	673	86	882	52	288	103	—	103	1,325
- Jointly controlled entities	—	—	37	121	158	—	—	(11)	—	(11)	147
	1,338	116	756	261	2,471	742	303	88	(82)	6	3,522
Finance costs, net	(54)	—	—	(38)	(92)	(46)	(12)	(140)	(265)	(405)	(555)
Taxation	(254)	(2)	(68)	(18)	(342)	(124)	(17)	(19)	—	(19)	(502)
Profit/(loss) for the period	1,030	114	688	205	2,037	572	274	(71)	(347)	(418)	2,465
Non-controlling interests	(335)	—	—	(47)	(382)	(372)	3	42	—	42	(709)
Profit/(loss) attributable to equity holders of the Company	695	114	688	158	1,655	200	277	(29)	(347)	(376)	1,756
Other information:											
Depreciation and amortisation	429	4	—	93	526	98	12	25	3	28	664
Capital expenditure	290	4	—	499	793	384	21	10	1	11	1,209

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 2011 (as restated)										
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	**Hong Kong**	**Yangtze River Delta**	**Other locations**	**Sub-total**			**Property development and 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*	*HK$' million*
Operating profit/(loss) (excluding gain on deemed disposal of interest in an associate)	1,307	18	23	56	1,404	308	(20)	286	(58)	228	1,920
Share of profits less losses of											
- Associates	33	143	761	79	1,016	35	885	47	—	47	1,983
- Jointly controlled entities	—	—	44	112	156	—	—	6	—	6	162
	1,340	161	828	247	2,576	343	865	339	(58)	281	4,065
Gain on deemed disposal of interest in an associate											1,367
Finance costs, net	(44)	—	—	(36)	(80)	(65)	(8)	20	(232)	(212)	(365)
Taxation	(243)	(3)	(198)	(10)	(454)	(44)	(43)	(17)	—	(17)	(558)
Profit/(loss) for the period	1,053	158	630	201	2,042	234	814	342	(290)	52	4,509
Non-controlling interests	(373)	—	—	(39)	(412)	(144)	(13)	(16)	—	(16)	(585)
Profit/(loss) attributable to equity holders of the Company	680	158	630	162	1,630	90	801	326	(290)	36	3,924
Other information:											
Depreciation and amortisation	436	4	—	93	533	92	19	10	3	13	657
Capital expenditure	459	1	—	86	546	255	42	74	2	76	919

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

As at 30 June 2012

	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and 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*	*HK$' million*
ASSETS											
Segment assets (excluding interests in associates and jointly controlled entities)	23,585	196	2,741	5,117	31,639	10,959	1,402	12,659	4,667	17,326	61,326
Interests in associates	1,152	1,623	13,715	1,103	17,593	832	7,685	610	—	610	26,720
Interests in jointly controlled entities	2	4	788	4,045	4,839	—	—	180	—	180	5,019
	24,739	1,823	17,244	10,265	54,071	11,791	9,087	13,449	4,667	18,116	93,065
Non-current assets held for sale	—	—	—	831	831	—	—	—	—	—	831
Total segment assets	24,739	1,823	17,244	11,096	54,902	11,791	9,087	13,449	4,667	18,116	93,896
Taxation recoverable											2
Deferred tax assets											133
Total assets											94,031
LIABILITIES											
Segment liabilities	(5,094)	(47)	—	(3,861)	(9,002)	(4,754)	(724)	(7,105)	(14,359)	(21,464)	(35,944)
Taxation payable											(307)
Deferred tax liabilities											(2,409)
Total liabilities											(38,660)

As at 31 December 2011 (as restated)

	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and 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*	*HK$' million*
ASSETS											
Segment assets (excluding interests in associates and jointly controlled entities)	22,932	199	1,719	5,275	30,125	9,646	1,029	12,173	1,543	13,716	54,516
Interests in associates	1,137	1,755	13,967	1,128	17,987	824	7,836	747	—	747	27,394
Interests in jointly controlled entities	—	4	833	4,010	4,847	—	—	191	—	191	5,038
Total segment assets	24,069	1,958	16,519	10,413	52,959	10,470	8,865	13,111	1,543	14,654	86,948
Taxation recoverable											2
Deferred tax assets											136
Total assets											87,086
LIABILITIES											
Segment liabilities	(4,882)	(40)	—	(3,450)	(8,372)	(4,345)	(744)	(6,825)	(9,377)	(16,202)	(29,663)
Taxation payable											(312)
Deferred tax liabilities											(2,304)
Total liabilities											(32,279)

4 **Other gains, net and other income**

	Six months ended 30 June	
	2012	**2011**
	HK$'million	*HK$'million*
Other gains, net		
Increase in fair value of investment properties	477	416
Increase in fair value of financial asset at fair value through profit or loss	36	8
Gain on deemed disposal of interest in an associate	—	1,367
Gain on disposal of property, plant and equipment	2	4
Net exchange (losses)/gains	(12)	61
	503	1,856
Other income		
Dividend income from available-for-sale financial assets		
- listed equity investments	47	21
- unlisted equity investments	14	15
Dividend income from financial asset at fair value through profit or loss	10	10
Others	19	8
	90	54

5 **Expenses by nature**

	Six months ended 30 June	
	2012	**2011**
	HK$'million	*HK$'million*
Cost of inventories	390	322
Staff costs (including Directors' emoluments)	700	611
Depreciation of property, plant and equipment	562	560
Amortisation of intangible assets and land use rights	102	97
Fuel and utilities	341	256
Sub-contracting fees	512	358
Operating lease rentals in respect of		
- land and buildings	65	52
- plant and machinery	40	24
Transportation and delivery	72	47
Other expenses	552	492
Total cost of sales, distribution costs and administrative expenses	3,336	2,819

6 **Finance income and costs**

	Six months ended 30 June 2012 *HK$'million*	2011 *HK$'million*
Finance income - interest income from bank deposits	73	62
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(222)	(169)
- not wholly repayable within five years	(9)	(40)
Listed notes payable		
- wholly repayable within five years	(179)	(179)
- not wholly repayable within five years	(89)	(56)
Unlisted notes wholly repayable within five years	(109)	—
Loans from the ultimate holding company	(61)	(51)
Loans from an intermediate holding company	(14)	(13)
Loan from a non-controlling equity holder of a subsidiary	(1)	—
Total borrowing costs incurred	(684)	(508)
Less: amount capitalised on qualifying assets *(Note)*	56	81
Finance costs	(628)	(427)
Finance costs, net	(555)	(365)

Note:

Capitalisation rate of 5.13% per annum (2011: 5.18% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

7 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax law of People's Republic of China ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in PRC before 1 January 2008 previously taxed at a preferential tax rate of 15%, PRC corporate income tax rate was 24% in 2011 whereas 25% standard rate is applied from year 2012 onwards. Certain of the Group's subsidiaries were exempted from PRC corporate income tax in the first five profit-making years and followed by a 50% reduction in 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. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some investments held by companies incorporated in certain places, including Hong Kong and Singapore, a preferential tax rate of 5% is 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	
	2012	**2011**
	HK$'million	*HK$'million* *(restated)*
Hong Kong profits tax	4	3
PRC corporate income tax	269	247
PRC withholding income tax	118	91
Overseas withholding income tax	4	—
Deferred taxation	107	73
Deferred taxation on PRC withholding income tax arising from change in tax rate *(Note)*	—	144
	502	558

Note:

Upon deemed disposal of interest in an associate, the Group is no longer entitled to 5% preferential tax rate on its dividend receivable from the associate and accordingly an additional amount of HK$144 million deferred taxation is provided in the last period for the unremitted earnings of this investment.

8 **Interim dividend**

	Six months ended 30 June	
	2012	**2011**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2011: 30 HK cents) per share	548	741

At a meeting held on 30 August 2012, the Board proposed an interim dividend of 22 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 2012.

The amount of interim dividend for 2012 was based on 2,489,630,317 (2011: 2,471,421,683) shares in issue as at 30 August 2012.

9 **Earnings per share**

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

	Six months ended 30 June	
	2012	**2011**
		(restated)
Basic		
Profit attributable to equity holders of the Company (HK$'million)	1,756	3,924
Weighted average number of ordinary shares in issue	2,474,548,639	2,458,976,103
Basic earnings per share (HK cents)	70.97	159.59

	Six months ended 30 June 2012	2011 *(restated)*
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	1,756	3,924
Weighted average number of ordinary shares in issue	2,474,548,639	2,458,976,103
Adjustment for share options *(Note)*	3,306,564	9,241,666
Weighted average number of ordinary shares for diluted earnings per share	2,477,855,203	2,468,217,769
Diluted earnings per share (HK cents)	70.87	158.99

Note:

Adjustment represents assumption of converting 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 that would have been issued assuming the exercise of the share options.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,334 million (31 December 2011: HK$1,204 million).

The Group has a credit policy of allowing an average credit period of 90 days (2011: 90 days) to its trade customers. The ageing analysis of trade debtors is as follows:

	30 June 2012 *HK$'million*	31 December 2011 *HK$'million*
Not yet due	507	266
Days overdue		
- 1 - 90 days	765	733
- 91 - 180 days	30	44
- 181 - 365 days	20	140
- Over 365 days	12	21
	1,334	1,204

11 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$361 million (31 December 2011: HK$318 million). The ageing analysis of the trade creditors is as follows:

	30 June 2012 *HK$'million*	31 December 2011 *HK$'million*
Not yet due	7	63
Days overdue		
- 1 - 90 days	258	219
- 91 - 180 days	76	5
- 181 - 365 days	8	14
- Over 365 days	12	17
	361	318

12 **Non-current assets held for sale**

On 12 April 2012, the Group entered into an asset transfer agreement with Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU"), a company established in PRC and being held 50% as a jointly controlled entity of the Group, pursuant to which the Group agrees to dispose of, and QQCTU agrees to acquire, certain facilities, equipment and other assets, all of which were included in the property, plant and equipment in the condensed consolidated statement of financial position previously, from the Group at an aggregate consideration of HK$1,096 million, which has been received from QQCTU during the period and is accounted for as receipt in advance for the transaction (included in creditors and accruals) in the condensed consolidated statement of financial position.

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The transaction is expected to be completed within one year from the date of the agreement and these assets are therefore classified as held for sale at the end of the reporting period.

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 22 HK cents per share (2011: 30 HK cents) in scrip form for the period, represents a dividend payout of 31.2%. The interim dividend will be paid on or around 28 November 2012 to the shareholders whose names appear on the Register of Members of the Company on 5 October 2012, 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 19 October 2012. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 28 November 2012.

CLOSURE OF REGISTER

The Register of Members will be closed from 27 September 2012 to 5 October 2012 (both days inclusive), during which 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 26 September 2012. The interim dividend will be paid on or around 28 November 2012 to shareholders whose names appear on the Register of Members of the Company on 5 October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The period under review has seen European debt crisis continue its ferment, developed economies such as US and Japan display little growth momentum and emerging economies continue to grow slower. In April and July 2012 the International Monetary Fund ("IMF") respectively lowered its global economic growth forecast for 2012 and 2013. Data published by IMF in July 2012 further projected the global economic growth rate to grow a mere 3.5% in 2012, 0.3 percentage point below that for 2011. Of this global growth rate, that for developed economies was 1.4%, a drop of 0.2 percentage point year-on-year, and that for developing economies was 5.6%, a drop of 0.6 percentage point. The total global trade volume (goods and services) grew 3.8%, representing a decline in growth rate of 3.1 percentage points.

In the first half of 2012, along with a significant decline in China's GDP growth rate to below 8.0% was the continuing deceleration in the growth rate of its foreign trade. Between January to June, the total value of foreign import and export trade of China amounted to US$1,839.8 billion, reflecting on the one hand a year-on-year increase of 8.0% but also 17.8 percentage points below the growth rate for the same period of last year. Among the value of trade mentioned above, total export value was US$954.4 billion, a 9.2% increase over the same period last year, which is a 14.8 percentage points decrease in terms of the growth rate; while total import value was US$885.4 billion, an increase of 6.7% on a year-on-year basis, representing a decrease of 20.9 percentage points on growth over same period last year.

Impacted by a decelerated growth in the global economy and inadequate demand, the growth pace of the global port business has been slowing. Data published by the Ministry of Transport of the People's Republic of China revealed that container throughput handled by Chinese ports of significant scale totaled 84.6 million TEUs during the period under review, having grown 8.8% year-on-year but still a considerable 4.0 percentage points below the corresponding rate for the same period last year. In addition, container throughput derived from foreign trade grew less than 6.0%.

In the first half of 2012, the Group's port projects handled a total container throughput of 29.2 million TEUs, an increase of 5.6% year-on-year, of which total container throughput handled by ports in Mainland China grew by 7.9%. Bulk cargo volume handled by the Group totaled 162.3 million tons, up 1.1% year-on-year. China International Marine Containers (Group) Ltd. ("CIMC Group"), of which the Group is its single largest shareholder, has seen its business affected by the severe downturn of shipping market. Its container sales dropped during the period under review noticeably to 639,000 TEUs of dry cargo and reefer units (down 40.0%) and 33,000 TEUs of special-purposed units (down 22.5%).

For the six months ended 30 June 2012, the Group recorded revenue of HK$4,793 million, up 14.2% over that for the same period last year. Revenue derived from the Group's core segment of ports operation amounted to HK$3,268 million, an increase of 5.7% year-on-year. Profit attributable to the equity holders of the Company amounted to HK$1,756 million, down 55.2% when compared to that for the same period last year. Of this amount, recurrent profit totaled HK$1,609 million, a decrease of 32.3% year-on-year. The Group's core segment of ports operation recorded an EBITDA note 1 of HK$4,179 million, representing an increase of 3.0% year-on-year. The EBITDA contributions from the core segment of ports operation accounted for 69.2% of the Group's total EBITDA.

When compared to that for the corresponding period last year, notwithstanding the increase recorded in the Group's revenue by 14.2%, its profit has actually declined by 55.2% mainly due to a drop in the share of profits of associates and jointly controlled entities by 31.4% and the one-off gain of HK$1,367 million for the deemed disposal of interest in an associate in the same period last year is not occurring this year. Furthermore, finance costs which went up by 47.1% year on year mainly due to the medium- and long- term bonds issued by the Group during the period also reduced the Group's profitability.

Ports operation

For the period under review, EBIT note 2 derived from the Group's ports operation amounted to HK$3,013 million, representing an increase of 0.3% over that of last year and accounting for 67.4% of the overall EBIT of the Group, up from 60.3% last year.

During the first half of 2012, the Group's port projects in Mainland China handled a total container throughput of 26.3 million TEUs, up 7.9% year-on-year. This growth rate is higher by 2.0 percentage points than the overall growth rate of foreign-trade-derived container throughput of all the ports in China, thus sustaining the Group's leading position among domestic port operators. The Group's port projects in Hong Kong recorded a total container throughput of 2.7 million TEUs, down 12.5% when compared to the corresponding period last year. As regards overseas projects, Tin-can Island Container Terminal Limited ("TICT") in Nigeria handled 193,042 TEUs, representing an increase of 15.8% year-on-year.

Among port projects, terminals at different locations have exhibited considerable variance in growth trends. In the Pearl River Delta region, terminals at Western Shenzhen reversed the declining trend in throughput performance last year and handled 5.7 million TEUs in the first half of this year, up 2.8% year-on-year — a growth rate that is higher by 1.7 percentage points than the aggregate total of Shenzhen ports alongside an increase in its market share. Chu Kong River Trade

Note 1 Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("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 non-controlling interests ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities.

Terminal Co., Ltd ("CKRTT"), in which the Group acquired an equity interest last year, handled 506,008 TEUs in the first half of the year, an increase of 22.8% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong handled 2.3 million TEUs and 346,377 TEUs respectively, down respectively 12.7% and 11.5% year-on-year. In the south-eastern coastal area, Zhangzhou China Merchants Port Co., Ltd. ("ZCMP") handled a throughput volume of 209,161 TEUs in the first half of the year (down 3.5% year-on-year) along with an effort to effectively improve cargo mix. As regards the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd ("SIPG") recorded a throughput volume of 15.9 million TEUs, down 3.6% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled 940,717 TEUs or an increase of 9.4% year-on-year, a growth trend similar to that of Ningbo ports. In Bohai Rim region, Qingdao Qianwan United Container Terminal ("QQCTU"), the Group's container project in Qingdao, has continued its joint efforts with Qingdao Port (Group) Co., Ltd in attracting new container volumes and has seen its container volume jump 104.4% to 1.9 million TEUs. Tianjin Five Continents International Container Terminals Co Ltd handled 1.1 million TEUs with a year-on-year growth of 7.3%.

During the first half of 2012, the Group's bulk cargo volume handled rose slightly by 1.1% year-on-year reaching 162.3 million tons, with mixed performances revealed by different terminals when compared to those for the same period last year. Shenzhen Western Port Zone handled 16.0 million tons, same as those for the corresponding period of last year. SIPG handled 92.1 million tons, up 4.7% year-on-year. On the other hand, ZCMP, Qingdao Qianwan West Port United Terminal Co., Ltd and Zhanjiang Port (Group) Co., Ltd ("Zhanjiang Port Group") handled respectively 4.2 million tons, 14.3 million tons and 33.5 million tons, representing respective decrease of 3.2%, 1.3% and 7.3% year-on-year. Throughput handled by Dongguan Machong Terminal of Dongguan Chiwan Wharf Co., Ltd, reached 2.0 million tons in the first half of the year, up 48.3% year-on-year mainly due to enhanced operating capacity.

Despite the adverse external operating environment, during the period under review, the Group has been adhering to the concept of "Solidifying our base to maintain stability during challenging times, seeking innovation and facilitating development among the opportunities." On the one hand, the Group has continued to further refine its operational management process, promoted technology innovation, achieved cost-reduction and improvement on effectiveness to increase the assets' efficiency.

On the other hand, the Group has continued to actively explore investment opportunities overseas whilst enhancing its positioning within China, with a view to forging the strategy of extending the value chain of its port operation so as to bring in new forces to drive the sustainable development of the Group.

During the first half of 2012, the Group's self-developed container terminal operational management system (CMPORT) commenced operation successfully in the Shenzhen Western Port Zone. The system, pioneering among similar systems in the aspect of design, process, performance, interface and expansion, has established a foundation from which to enhance the Group's operational efficiency. In the first half of the year, the Group collaborated with well-known international consulting firms to complete the first phase of construction of the port business standardization system and to establish an operational management indicator system that was based on "standard indicators, focused on management improvement, targeted at enhancement of performance", which would elevate detailed management in the aspects of value creation, management innovation, risk management and control to a new level.

In respect of endeavours towards business development during the period under review, Mega Shekou Container Terminals Limited reflected a strong performance in a weak environment delivering a 13.1% container throughput growth whereas QQCTU's container volume growth leaped. Whilst the respective bulk cargo handling business at ZCMP and Zhanjiang Port Group has somewhat declined, their respective revenues have demonstrated growths relatively better than their throughput volume trends due to effective adjustments in cargoes mix and in average unit price. Indeed, ZCMP delivered a record-high performance for the period under review.

As regards developments overseas, construction of Colombo Port South Container Terminal in Sri Lanka by Colombo International Container Terminals Limited has been progressing on schedule with its first phase expected to complete and commence operation by mid 2013. TICT in Nigeria has during the first half of 2012 continued to record rapid growth in business and performance. Positive and progressive development has been also made for other overseas projects.

In addition, in August 2012, the Group invested Euro 150 million for 50% stake in Thesar Maritime Limited ("TML"). TML, pursuant to the Concession Agreement granted by the Togolese Government in December 2011, owns a 35-year concession right, extendable for another 10 years, to develop and operate the Lomé Container Terminal ("LCT"), a 4-berth terminal situated in Lomé, the capital of Togo in West Africa with a planned maximum annual capacity is 2.2 million TEUs. The Concession Agreement also stipulates that construction of LCT will be in phases with the first 400m of quayline to be ready for operation by December 2013.

Mediterranean Shipping Company ("MSC"), under a terminal service agreement signed, has agreed to use LCT's service for 15 years from the latter's inauguration. The vendor, Terminal Investment Limited, a global terminal investor and operator which enjoys a commercial relationship with MSC, remains as a 50% shareholder and has committed to put forth its best efforts to assist LCT's container volume growth in support of LCT's future business development.

With regard to ports in the Mainland, the Group has been in active liaison with major port groups along coastal China with a view to seeking new investments and cooperation opportunities from which to pursue improvements, integration and collaborations.

In order to capture opportunities derived from relocation of industries from coastal China into the inland, the Group has initiated an "inland port" design which aims to extend the hinterland coverage in the pan-Pearl River Delta region by the homebase ports in Western Shenzhen. The design endeavours to facilitate the sourcing of inland cargoes through the build-up of an extensive network that "anchors from the Group's homebase ports in Western Shenzhen, is connected by sea-rail inter-modal links and using inland ports as outlets". In June 2012, "Hunan Xianing Inland Port Co., Ltd." (湖南霞凝內陸港有限公司) in which the Western Shenzhen ports invest was officially established in Changsha, signifying a ground-breaking step towards the rolling out of this "inland port" network by the homebase ports in Western Shenzhen.

On-going expansion of the Group's barge network along the Pearl River Delta remains an important measure for the Group to enhance the competitiveness of its homebase ports in Western Shenzhen. During the first half of 2012, the Group has continued to capitalize advantages it possesses as a terminal operator in asset resources, shipping routes, business, services and geographical position to actively encourage the strategic collaborations between its home-base ports in Western Shenzhen and the barge terminals along the River. For the period under review, the container volume sourced from South China Shuttle Alliance grew by 8.6% when compared to the same period last year. The collaborated container volume handled between CKRTT, in which the Group acquired an equity stake in early 2011, and Shenzhen Western Port Zone rose 23.4% year-on-year to 74,098 TEUs, thus reflecting the synergy so realized from the collaboration. The Group remains focused on strategic investment and positioning opportunities along the River with a view to further strengthening the reach-out of its homebase ports in Western Shenzhen through the on-going refinement of its river connectivity network cabled via, as appropriate, share equity linkages.

Bonded logistics and cold chain operations

For the period under review, the Group's bonded logistics and cold chain operations achieved a revenue of HK$831 million, increased by 31.3% over the same period last year. EBIT for this segment reached HK$748 million, up 116.8% year-on-year.

In the first half of the year, the Group's bonded logistics operations continued its high growth trend from last year. China Merchants Bonded Logistics Co., Limited ("CMBL"), the Group's bonded logistics service unit located at Qianhai Bonded Port Zone of Shenzhen, has recorded significant growth in its net profit when compared to that of the same period last year along with remarkable year-on-year increases in pertinent benchmarks such as warehouse area in operation gross profit per unit of area, value-added services, labor efficiency, port-collaborated cargoes volume handled. CMBL has strived to create its core competence through sales and marketing, operation efficiency, and innovation so as to enhance brand reputation and influence within the industry, while customer demand has continued to grow at a fast pace. The Group's Tianjin Haitian Logistics Park has leveraged on the incentive policies offered by Dongjiang Bonded Port Zone (東疆保稅港區) towards automobile imports, simultaneous as it raised its rental level, which has led to significant increase in both its revenue and net profit for the period under review. During this first half of the year, Qingdao Logistics Park, aimed towards establishing itself into a unique, port-integrated, logistics service provider, has succeeded in adjusting its business structure and functions, which has led to increases in freight volume and, in turn, 16% increase in its net profit. Notwithstanding the backdrop of a slower macroeconomic growth, the business demand and economic benefits generated by the Group's bonded logistics parks have displayed a fast rising trend, which illustrated the fruitful result of the Group's adherence to the strategies of "extending the value chain of ports, developing bonded logistics and promoting port-logistics park collaborated operations".

China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC"), being the Group's cold chain logistics operation platform, has achieved satisfactory progress towards network roll-out, scale expansion, structure optimization, and new business development. During the first half of 2012, CMAC has added to its network two new cold storage operations, respectively in Shanghai and Hong Kong, while the utilization rate of its cold storage space increased by 5 percentage points to 65.7%. Customer development efforts in relation to core commercial names such as Tesco, Yum! Brands, etc. have been remarkable, leading to 100% increase in the percentage share of regional/urban delivery services alongside decreases in the percentage share of production customers, thus optimization in the business structure was achieved. New services such as purchasing and distribution have grown rapidly, thus expanding the existing modes of business and profit. These, combined, will facilitate the penetration of cold chain logistics operations into upstream and downstream sectors, thereby enhancing CMAC to become an integrated supply chain solution provider in the future.

In the first half of 2012, the total volume of cargoes handled at the two major air cargo terminals in Hong Kong has remained level year-on-year. That handled by Asia Airfrieght Terminal Company Limited, in which the Group is interested, totaled 340,884 tons, which was in line with the same period last year with its market share remained unchanged.

Port-related manufacturing operations

In the first half of 2012, EBIT generated by the Group's port-related manufacturing operations amounted to HK$574 million, decreased by 54.9% as compared to the same period last year.

A weakened global economy coupled with fragile international maritime market has resulted in the obvious shrinkage in the volumes of all types of container orders of the CIMC Group during the first half year when compared to that for the same period last year. For the period under review, total sales of dry-cargo and reefer containers amounted to 639,000 TEUs, down 40.0% year-on-year. Along with drops in the selling prices. The decrease in container sales revenue was significantly larger than that in container sale volume. In addition, the sales of special purpose transportation vehicles were 53,500 units, down 39.7% year-on-year. For the first half of the year, the CIMC Group realized a net profit of RMB934 million, decreased by 66.8% as compared to the same period last year.

Corporate social responsibility

While striving to continuously improve its operating results and generating returns for shareholders, the Group also focused on the performance of its social responsibilities to employees, community and environment to drive the community to develop in a healthier and sustainable direction.

In the first half of the year, the Group was active in driving energy saving and emission reduction and the construction of green ports with a focus on various low-carbon technological reform projects. The Group combined the construction of low-carbon green ports with meticulous management and enhanced port competitiveness, which were effectively promoted in the aspects of management mechanism, energy consumption structure optimization and technological innovation.

In February 2012, Shekou Container Terminals Limited ("SCT") was officially recognized by the Ministry of Transport as one of the four low-carbon port demonstration units in China and would be the first to be developed into a national low-carbon demonstration port. In April 2012, the Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration jointly included the photovoltaic power generation project developed by SCT in the 2012 "Golden Sun" demonstration project catalogue.

The Group has integrated its core values into community relations and actively conducted various community events to focus on subsidizing education, poverty alleviation, charitable donations and community services etc., fulfilling its corporate social responsibility of facilitating social harmony and sustainable development.

Liquidity and treasury policies

As at 30 June 2012, the Group had approximately HK$12.22 billion in cash, 9.7% of which was denominated in Hong Kong dollars, 31.3% in United States dollars, 58.7% in Renminbi and 0.3% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operations, property development and investment, and investment returns from associates and jointly controlled entities, which together contributed HK$2,553 million in total.

During the period, the Group's capital expenditure amounted to HK$1,209 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 2012, the Company had 2,474,771,236 shares in issue. During the period, the Company issued 360,000 new shares upon the exercise of share options and received approximately HK$5 million as a result. On 20 July 2012, the Company issued 14,859,081 shares under the Company's scrip dividend scheme.

As at 30 June 2012, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 35.2%.

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 2012, the Group's outstanding interest-bearing debts were analyzed as below:

	30 June 2012 HK$'million	31 December 2011 HK$'million
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	5,039	5,239
Between 1 and 2 years	1,048	2,099
Between 2 and 5 years	2,987	3,204
Not wholly repayable within 5 years	124	106
	9,198	10,648
Fixed-rate listed notes payables are repayable:		
In 2013	2,323	2,325
In 2015	3,871	3,877
In 2018	1,534	1,536
In 2022	3,815	—
	11,543	7,738
Fixed-rate unlisted notes payables are repayable:		
In 2016	3,066	3,084
In 2017	1,100	—
	4,166	3,084
Loans from the ultimate holding company		
Within 1 year	1,010	1,615
Between 1 and 2 years	979	985
	1,989	2,600
Loans from an intermediate holding company		
Within 1 year	—	616
Between 2 and 5 years	614	—
	614	616
Loan from a non-controlling equity holder of a subsidiary	—	12

Note: All bank borrowings are unsecured except for HK$237 million (31 December 2011: HK$291 million).

The interest bearing debts are denominated in the following currencies:

	30 June 2012						
	Bank borrowings	**Listed notes payable**	**Unlisted notes payable**	**Loans from an intermediate holding company**	**Loans from the ultimate holding company**	**Loan from a non-controlling equity holder of a subsidiary**	**Total**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	3,443	11,543	—	—	—	—	14,986
RMB	5,755	—	4,166	614	1,989	—	12,524
	9,198	11,543	4,166	614	1,989	—	27,510

	31 December 2011						
	Bank borrowings	**Listed notes payable**	**Unlisted notes payable**	**Loans from an intermediate holding company**	**Loans from the ultimate holding company**	**Loan from a non-controlling equity holder of a subsidiary**	**Total**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	4,123	7,738	—	—	100	—	11,961
RMB	6,525	—	3,084	616	2,500	12	12,737
	10,648	7,738	3,084	616	2,600	12	24,698

Assets charge

As at 30 June 2012, the Company did not have any charge over its assets. The bank loans of HK$237 million borrowed by subsidiaries are secured by their property, plant and equipment with carrying value HK$201 million, investment properties with carrying value HK$107 million, land use right with carrying value HK$2 million and HK$10 million bank balance.

As at 31 December 2011, the Company did not have any charge over its assets. The bank loans of HK$212 million borrowed by subsidiaries were secured by their property, plant and equipment with carrying value HK$190 million and investment properties with carrying value HK$102 million.

Employees and remuneration

As at 30 June 2012, the Group employed 7,946 full time staff, of which 263 worked in Hong Kong, 28 worked in overseas and the remaining 7,655 were in the PRC. The remuneration paid for the period amounted to HK$700 million, representing 21.0% 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.

Future prospects

The Group is of the view that global economic growth for the second half of 2012 will inevitably remain daunted by numerous uncertain factors. Forecast for full year 2012 by the IMF suggests that downward growth pressure to the global economy and trade will continue to prevail. The international maritime market is expected to encounter, for a prolonged period of time, operational difficulties as demand continues to drop, capacity remains excessive and tariffs continue to be under pressure. China's economy is also expected to experience growth pressures when export growth slows down, investments decline and demand remains inadequate. "Structural adjustment to expand domestic demand and to sustain growth" is an arduous task China's economy is currently facing.

Affected by the current macro-economic and trade environment, the port industry is also expected to encounter pressure of growth deceleration in the second half of the year. Barring any unforeseen unfavourable factors that may suddenly erupt to drag down the global economy, the Group will, by leveraging its increasingly established management capability, endeavor to deliver in the second half of 2012 performance better than that for the first half.

In the second half year, the Group will continue to adhere to its established development strategy for ports of "exploring overseas markets while optimizing its port asset positioning in China" to actively drive the development of overseas projects and, in turn, foster new space for growth, thereby laying a solid foundation for the sustainable development of the Group.

In terms of operations, the Group expects to continue to increase the resource efficiency and asset effectiveness of its homebase ports in Western Shenzhen through on-going integration of its operations and management capabilities. The Group will also endeavour to streamline, on on-going basis, the inter-modal linkage networks for its ports operation through active driving of key initiatives such as further refinement of its PRD barge network, establishment of inland ports in conjunction with sea-rail link, river terminal positioning and collaboration, upgrade of berths and improvements in channel capabilities. The Group will also endeavour to improve customs-inspection environment while attempting to fully leverage the advantage of smooth interaction between ports and bonded port zones. It will actively explore the opportunity of facilitating the extended development of the ports-related industries.

As regards operational management, the Group will continue to seek to refine its operational management abilities through the establishment and on-going refinement of a port-oriented management information platform and an advanced operational management system from which to further align the managing of ports at different locations and of different business-types. At the same time, the Group will encourage technological reforms and process optimization for efficiency improvements on an on-going basis and will actively drive the vertical improvement in ports' capabilities through the development of energy-saving and emission-reduction and green ports.

Looking forward, notwithstanding the uncertain global economic conditions prevailing, with the network of its port assets through which cargo traffic, is the Group believes, sustainable, its quality management capabilities coupled with a continuing drive to excel, and well-thought-of investment strategies to capture business potential availed in China and globally for long-term sustainability, the Group has no doubt that it is able to navigate through the rough waters currently prevailing and is fully confident about its future prospects.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") comprises all of the five independent non-executive directors. The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

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

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

In November 2004, the Stock Exchange promulgated the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply. The Old Code was subsequently revised and renamed as the Corporate Governance Code (the "New Code") with effect from 1 April 2012. In the opinion of the Directors, the Company has complied with the code provisions set out in the Old Code (effective until 31 March 2012) and the New Code (newly effective from 1 April 2012) as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, except the following:

In respect of Code Provision A.6.7 under the New Code, Mr. Kut Ying Hay, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis, the independent non-executive directors, were unable to attend the annual general meeting of the Company held on 31 May 2012 due to other business engagement.

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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2012 interim report will be despatched to shareholders and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cmhi.com.hk) in due course.

By Order of the Board
China Merchants Holdings (International) Company Limited
Fu Yuning
Chairman

Hong Kong, 30 August 2012

As at the date of this announcement, the Board comprises Dr. Fu Yuning, Mr. Li Jianhong, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Yu Liming, Mr. Hu Jianhua, Mr. Wang Hong and Mr. Zheng Shaoping 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.