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 32.66 million TEUs, up 11.8% (2012: 29.22 million TEUs)
- Throughput of bulk cargoes handled reached 177 million tonnes, up 8.8% (2012: 162 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$1,935 million, up 10.2% (2012: HK$1,756 million)
  - √ HK$1,820 million, up 13.1%, if net exceptional gains were excluded (2012: HK$1,609 million)
  - √ HK$1,906 million, up 15.2%, from ports operation (2012: HK$1,655 million)
- Basic earnings per share totaled 77.67 HK cents, up 9.4% (2012: 70.97 HK cents)
- Interim dividend of 22 HK cents per share (2012: 22 HK cents per share)

2013 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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	**Unaudited** 2013 *HK$'million*	2012 *HK$'million*
Revenue	2	3,745	4,793
Cost of sales		(2,025)	(2,737)
Gross profit		1,720	2,056
Other gains, net	4	205	503
Other income	4	97	90
Distribution costs		—	(31)
Administrative expenses		(410)	(568)
Operating profit		1,612	2,050
Finance income	5	33	73
Finance costs	5	(498)	(628)
Finance costs, net	5	(465)	(555)
Share of profits less losses of			
Associates		1,450	1,325
Joint ventures		139	147
Profit before taxation		2,736	2,967
Taxation	6	(382)	(502)
Profit for the period	7	2,354	2,465
Attributable to:			
Equity holders of the Company		1,935	1,756
Non-controlling interests		419	709
Profit for the period		2,354	2,465
Dividend	8	555	548
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		77.67	70.97
Diluted (HK cents)		77.56	70.87

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited	
	2013	**2012**
	HK$'million	*HK$'million*
Profit for the period	2,354	2,465
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	717	(264)
(Decrease)/increase in fair value of available-for-sale financial assets, net of deferred taxation	(376)	118
Share of investment revaluation reserve of an associate	(55)	(3)
Items that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates and a joint venture	63	(1)
Share of net actuarial loss on a defined benefit plan of an associate	—	(15)
Total other comprehensive income/(expense) for the period, net of tax	349	(165)
Total comprehensive income for the period	2,703	2,300
Total comprehensive income attributable to:		
Equity holders of the Company	2,215	1,653
Non-controlling interests	488	647
	2,703	2,300

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	**Unaudited 30 June 2013** *HK$'million*	**Audited 31 December 2012** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		3,307	3,293
Intangible assets		4,553	4,796
Property, plant and equipment		18,708	16,863
Investment properties		1,829	1,534
Land use rights		8,241	7,946
Interests in associates		34,747	28,468
Interests in joint ventures		5,341	5,172
Other financial assets		1,677	2,092
Other non-current assets		480	1,130
Deferred tax assets		127	120
		79,010	71,414
Current assets			
Inventories		111	89
Other financial assets		439	369
Debtors, deposits and prepayments	10	2,816	1,400
Taxation recoverable		1	2
Cash and bank balances		4,059	4,192
		7,426	6,052
Total assets		86,436	77,466

	Note	Unaudited 30 June 2013 *HK$'million*	Audited 31 December 2012 *HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		249	249
Reserves		44,544	44,097
Proposed dividend	8	555	1,196
		45,348	45,542
Non-controlling interests		7,678	8,140
Total equity		53,026	53,682
LIABILITIES			
Non-current liabilities			
Loans from immediate holding company		7,862	—
Loans from an intermediate holding company		620	617
Other financial liabilities		13,419	11,184
Other non-current liabilities		1,509	1,489
Deferred tax liabilities		1,743	1,693
		25,153	14,983
Current liabilities			
Creditors and accruals	11	3,302	1,641
Loans from ultimate holding company		1,027	986
Other financial liabilities		3,669	6,035
Taxation payable		259	139
		8,257	8,801
Total liabilities		33,410	23,784
Total equity and liabilities		86,436	77,466
Net current liabilities		831	2,749
Total assets less current liabilities		78,179	68,665

NOTES:

1 **Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012, as described therein.

Adoption of new and revised HKFRSs effective during the period

During the period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

Certain presentation and disclosure of financial statements items have been incorporated in the condensed consolidated interim financial information.

The adoption of these new/revised HKFRSs did not have any material effect on the amounts reported 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. The following is an analysis of the Group's revenue from its major products and services offered during the period.

	Six months ended 30 June	
	2013	**2012**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	3,394	3,268
Logistics services income (including rental income)	331	831
Sales of properties and goods	—	674
Gross rental income from investment properties	20	20
	3,745	4,793

3 **Segment information**

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

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

From a business and financial perspective, management assesses the performance of business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation was 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 in prior years. The Group is active in developing its business operations into overseas market as a pertinent means to effectively add new growth drivers to its ports business and accordingly, changed the structure of its internal reports that the CODM reviews. Specifically, "other locations" in prior years is separated into two reportable segments in the current period, namely "others" under the geographical location of "Mainland China, Hong Kong and Taiwan" and "other locations" outside of Mainland China, Hong Kong and Taiwan.

The Group's reportable segments of the ports operation are as follows:

(a) Mainland China, Hong Kong and Taiwan

- PRD excluding HK
- Hong Kong
- Yangtze River Delta
- Others

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

Since the structure of the Group's internal organisation has been changed in a manner that causes the composition of the reportable segments of the ports operation to change, the corresponding segment information for the six months ended 30 June 2012 and as at 31 December 2012, as appropriate, are restated.

(ii) 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 its associates.

(iii) Port-related manufacturing operations include container manufacturing operated by the Group's associate and construction of modular housing operated by 中國南山開發(集團)股份有限公司 (China Nanshan Development (Group) Incorporation, being an unofficial English Name) ("China Nanshan") and its subsidiaries excluding Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan") and its subsidiaries (the "Nanshan Outgoing Group").

(iv) Other operations included property development and investment and corporate function in prior years.

Upon the Group ceasing to control China Nanshan on 28 December 2012, China Nanshan is accounted for as an investment in associate of the Group. Thereafter, the performance of the Nanshan Outgoing Group is also evaluated by the CODM as part of the other operations. In prior years, businesses of the Nanshan Outgoing Group were included in "bonded logistics and cold chain operations", "port-related manufacturing operations" and "property development and investment", as appropriate.

The Nanshan Outgoing Group, together with property investment, are recognised as "other investments".

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

Over 90% of the revenue of the Group for each of the six-month periods ended 30 June 2013 and 2012 were derived in Mainland China.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the six-month periods ended 30 June 2013 and 2012.

As at 30 June 2013, non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located is as follows:

	30 June 2013	31 December 2012
	HK$'million	*HK$'million*
Mainland China, Hong Kong and Taiwan	63,795	61,989
Other locations	13,411	7,213
	77,206	69,202

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

	For the six months ended 30 June 2013									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE										
Company and subsidiaries	3,002	88	—	304	—	3,394	331	—	20	3,745
Share of associates	96	457	4,181	—	380	5,114	86	9,028	1,095	15,323
Share of joint ventures	1	5	180	877	—	1,063	—	—	—	1,063
Total segment revenue	3,099	550	4,361	1,181	380	9,571	417	9,028	1,115	20,131

	For the six months ended 30 June 2012 (as restated)									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' 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	4,076	—	237	4,837	264	9,249	570	14,920
Share of joint ventures	—	9	143	838	—	990	—	—	345	1,335
Total segment revenue	2,942	570	4,219	1,127	237	9,095	1,095	9,563	1,295	21,048

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

	For the six months ended 30 June 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,354	9	63	93	(25)	1,494	117	(10)	82	(71)	11	1,612
Share of profits less losses of												
- Associates	28	115	813	–	168	1,124	26	175	125	–	125	1,450
- Joint ventures	–	–	62	77	–	139	–	–	–	–	–	139
	1,382	124	938	170	143	2,757	143	165	207	(71)	136	3,201
Finance costs, net	(61)	–	–	(18)	(2)	(81)	(16)	–	–	(368)	(368)	(465)
Taxation	(239)	(1)	(79)	(21)	(6)	(346)	(22)	(8)	(7)	1	(6)	(382)
Profit/(loss) for the period	1,082	123	859	131	135	2,330	105	157	200	(438)	(238)	2,354
Non-controlling interests	(388)	–	–	(19)	(17)	(424)	5	–	–	–	–	(419)
Profit/(loss) attributable to equity holders of the Company	694	123	859	112	118	1,906	110	157	200	(438)	(238)	1,935
Other information:												
Depreciation and amortisation	455	4	–	55	1	515	70	–	–	3	3	588
Capital expenditure	564	–	–	165	806	1,535	232	–	–	–	–	1,767

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

	For the six months ended 30 June 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' 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	64	(10)	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
- Joint ventures	—	—	37	121	—	158	—	—	(11)	—	(11)	147
	1,338	116	756	185	76	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)	(13)	(5)	(342)	(124)	(17)	(19)	—	(19)	(502)
Profit/(loss) for the period	1,030	114	688	134	71	2,037	572	274	(71)	(347)	(418)	2,465
Non-controlling interests	(335)	—	—	(16)	(31)	(382)	(372)	3	42	—	42	(709)
Profit/(loss) attributable to equity holders of the Company	695	114	688	118	40	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	—	97	402	793	384	21	10	1	11	1,209

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

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

	As at 30 June 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	25,023	171	2,416	3,181	8,244	39,035	4,380	196	1,509	1,100	2,609	46,220
Interests in associates	1,326	1,632	14,817	—	6,492	24,267	425	6,744	3,311	—	3,311	34,747
Interests in joint ventures	3	5	911	4,422	—	5,341	—	—	—	—	—	5,341
Total segment assets	26,352	1,808	18,144	7,603	14,736	68,643	4,805	6,940	4,820	1,100	5,920	86,308
Taxation recoverable												1
Deferred tax assets												127
Total assets												86,436
LIABILITIES												
Segment liabilities	(6,467)	(30)	—	(1,576)	(3,535)	(11,608)	(770)	(10)	(7)	(19,013)	(19,020)	(31,408)
Taxation payable												(259)
Deferred tax liabilities												(1,743)
Total liabilities												(33,410)

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

	As at 31 December 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	24,215	165	1,848	3,063	6,495	35,786	4,119	19	1,444	2,336	3,780	43,704
Interests in associates	1,301	1,656	14,734	—	1,048	18,739	440	6,597	2,692	—	2,692	28,468
Interests in joint ventures	3	5	833	4,331	—	5,172	—	—	—	—	—	5,172
Total segment assets	25,519	1,826	17,415	7,394	7,543	59,697	4,559	6,616	4,136	2,336	6,472	77,344
Taxation recoverable												2
Deferred tax assets												120
Total assets												77,466
LIABILITIES												
Segment liabilities	(4,910)	(32)	—	(1,508)	(1,872)	(8,322)	(1,296)	—	(7)	(12,327)	(12,334)	(21,952)
Taxation payable												(139)
Deferred tax liabilities												(1,693)
Total liabilities												(23,784)

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

	Six months ended 30 June	
	2013	**2012**
	HK$'million	*HK$'million*
Other gains, net		
Increase in fair value of investment properties	62	477
Increase in fair value of financial asset at fair value through profit or loss	70	36
Gain on disposal of property, plant and equipment	1	2
Net exchange gains/(losses)	72	(12)
	205	503
Other income		
Dividend income from available-for-sale financial assets		
- listed equity investments	63	47
- unlisted equity investments	15	14
Dividend income from financial asset at fair value through profit or loss	10	10
Others	9	19
	97	90

5 Finance income and costs

	Six months ended 30 June	
	2013	**2012**
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	25	73
Others	8	—
	33	73
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(105)	(222)
- not wholly repayable within five years	(15)	(9)
Listed notes payable		
- wholly repayable within five years	(231)	(179)
- not wholly repayable within five years	(100)	(89)
Unlisted notes wholly repayable within five years	(17)	(109)
Loans from		
- ultimate holding company	(26)	(61)
- an intermediate holding company	(13)	(14)
- immediate holding company	(41)	—
- a non-controlling equity holder of a subsidiary	(5)	(1)
Others	(39)	—
Total borrowing costs incurred	(592)	(684)
Less: amount capitalised on qualifying assets (Note)	94	56
Finance costs	(498)	(628)
Finance costs, net	(465)	(555)

Note:

Capitalisation rate of 4.68% per annum (2012: 5.13% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of People's Republic of China (the "PRC") ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first three or five profit making years and followed by a 50% reduction in PRC corporate income tax for the next three or five years, respectively, 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 PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied if such companies are the beneficial owner of over 25% of these PRC entities according to PRC tax regulations.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2013	**2012**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	1	4
PRC corporate income tax	235	269
PRC withholding income tax	109	118
Overseas withholding income tax	5	4
Deferred taxation	32	107
	382	502

7 **Profit for the period**

	Six months ended 30 June	
	2013	**2012**
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Cost of inventories	18	390
Staff costs (including Directors' and chief executive's emoluments)	594	700
Depreciation of property, plant and equipment	479	562
Amortisation of intangible assets and land use rights	109	102
Operating lease rentals in respect of		
- land and buildings	110	65
- plant and machinery	18	40

8 **Dividend**

	Six months ended 30 June	
	2013	**2012**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2012: 22 HK cents) per share	555	548

At a meeting held on 29 August 2013, the Board proposed an interim dividend of 22 HK cents per share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to 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 2013.

The amount of interim dividend for 2013 was based on 2,522,677,151 (2012: 2,489,630,317) shares in issue as at 29 August 2013.

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	
	2013	**2012**
Basic		
Profit attributable to equity holders of the Company (HK$'million)	1,935	1,756
Weighted average number of ordinary shares in issue	2,491,802,610	2,474,548,639
Basic earnings per share (HK cents)	77.67	70.97
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	1,935	1,756
Weighted average number of ordinary shares in issue	2,491,802,610	2,474,548,639
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note)	3,633,182	3,306,564
Weighted average number of ordinary shares for diluted earnings per share	2,495,435,792	2,477,855,203
Diluted earnings per share (HK cents)	77.56	70.87

Note:

Adjustment represents assumption of exercise 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$1,057 million (31 December 2012: HK$852 million).

The Group has a credit policy of allowing an average credit period of 90 days (2012: 90 days) to its trade customers. The ageing analysis of the trade debtors, net of provision for impairment of trade debtors, is as follows:

	30 June 2013	**31 December 2012**
	HK$'million	*HK$'million*
Not yet due	575	273
Days overdue		
- 1 - 90 days	445	539
- 91 - 180 days	29	29
- 181 - 365 days	5	8
- Over 365 days	3	3
	1,057	852

11 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$238 million (31 December 2012: HK$294 million). The ageing analysis of the trade creditors is as follows:

	30 June 2013	**31 December 2012**
	HK$'million	*HK$'million*
Not yet due	54	5
Days overdue		
- 1 - 90 days	63	207
- 91 - 180 days	33	49
- 181 - 365 days	34	7
- Over 365 days	54	26
	238	294

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 (2012 : 22 HK cents) in scrip form for the period, represents a dividend payout of 28.7%. The interim dividend will be paid on or around 28 November 2013 to the shareholders whose names appear on the Register of Members of the Company on 7 October 2013, 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 21 October 2013. 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 2013.

CLOSURE OF REGISTER

The Register of Members will be closed from 27 September 2013 to 7 October 2013 (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, Wan Chai, Hong Kong, not later than 4:30 p.m. on 26 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first half of 2013 has, amid a stabilised though mildly growing global economy while developed economies have yet to show solid signs of rebound, reflected a lack of sufficient growth momentum in global trade. A slow recovery in the US economy together with the absence of apparent signs of the EU economic recession coming to an end suggested that a fully recovered global economy would be some time away. Though Japan's economy seemed to have gained some short-term benefits from a significant depreciation of its currency, its economic structure has yet to undergo structural consolidation before the country would be positioned to derive long-term sustainable growth. Emerging economies, affected by the increasing surfacing of the deep-rooted impact due to the global financial crisis, have all shown slowdown in their economic growth. The International Monetary Fund ("IMF") revealed that while risks that deter global economic growth have continued to persist, new risks - including the emerging market economies experiencing a possibly prolonged slowdown in growth thus inducing a decelerating credit growth - have emerged. In addition, along with the quantitative easing policies implemented by the developed economies, the expansion of adverse effects derived from trade protectionism measures so adopted led to the severe challenges facing the emerging economies to continue. In its latest "Global Economic Prospects" report published on 12 June 2013, the World Bank slightly lowered its expectation for 2013's global economic growth, recognising that the global economy would sustainably grow albeit at a much more modest pace. The World Bank forecasted the global economy to grow at 2.2% in 2013, lower from the 2.4% forecast made in January 2013 and the 2.3% forecast made in 2012. In its report published in July, the IMF also further lowered its growth forecast for the global economy for 2013 to 3.1%, same as that for 2012 but 0.2 percentage point lower from the forecast made in its April report. In addition, the IMF also projected developed economies to grow by 1.2% in 2013, same as that for 2012, and developing economies to grow by 5.0%, slightly up by 0.1 percentage point. Total global trade volume (goods and services) was projected to grow by 3.1%, representing a year-on-year increase of 0.6 percentage point but down 0.5 percentage point from its forecast made earlier this year.

During the period under review, along with a moderation of China's GDP growth rate to 7.6% was the slow recovery of its foreign trade growth. The total value of China's total import and export value amounted to US$1,997.7 billion during the period from January to June this year, reflecting a year-on-year increase of 8.6%, and 0.6 percentage point above the growth rate for the same period in the previous year. Among the total value of foreign trade, total export value was US$1,052.8 billion, indicating a 10.4% year-on-year increase, and a 1.2 percentage points increase in growth rate; while total import value was US$944.9 billion, showing a 6.7% year-on-year increase, which is in line with the growth rate for the same period in the previous year.

Due to the slow recovery of the global economy and the lower-than-expected demand growth, growth rate in global port business generally declined. Data published by the Ministry of Transport revealed that container throughput handled by Chinese ports of significant scale totaled 91.47 million TEUs in the first half of 2013, representing a year-on-year increase of 8.3% but 0.5 percentage point down as compared to the growth rate for the same period last year.

In the first half of 2013, the Group's ports handled a total container throughput of 32.66 million TEUs, a year-on-year increase of 11.8%, or a year-on-year growth of 5.7% if the volume contributed by the newly acquired projects were excluded. Bulk cargo volume handled by the Group's ports totaled 177 million tonnes, registering a 8.8% year-on-year growth. China International Marine Containers (Group) Co., Ltd. ("CIMC"), of which the Group is its single largest shareholder, saw an overall improvement in the sales performance of its container manufacturing business amid a stronger demand in dry cargo containers, recording sales of 0.64 million TEUs of dry cargo containers during the first half of the year, up 15.0% year-on-year. Sales of reefer and special-purpose units amounted to 80,000 TEUs during the first half of the year, down 30.0% year-on-year.

In September 2012, the Company and China Nanshan entered into an entrustment agreement pursuant to which China Nanshan granted to the Company the right to manage, and the power to direct the voting rights over its entire interest in, Shenzhen Chiwan. This entrustment agreement became effective in November 2012. In December 2012, the Company and China Merchants Holdings (Hong Kong) Company Limited ("CMHK") agreed to terminate the entrustment agreement signed in 2010 in respect of the management and voting rights in 23.49% stake in China Nanshan CMHK assigned to the Company in 2010.

Upon completion of the above transactions, the Group ceased to, with effect from 28 December 2012, control and consolidate the assets and liabilities and other financial results of Nanshan Outgoing Group, which is thereafter equity-accounted for as an associate, while maintaining Shenzhen Chiwan as its subsidiary. Deconsolidating Nanshan Outgoing Group would not affect the profit attributable to the Company's equity holders but led, as a consequence, to a significant year-on-year reduction in various income statement of profit or loss items of the Group for the six months ended 30 June 2013, including, but not limited to, revenue, cost of sales, and profit attributable to non-controlling interests, especially where it relates to the performance of segment under the heading of bonded logistics and cold chain operations.

For the six months ended 30 June 2013, profit attributable to the Company's equity holders amounted to HK$1,935 million, representing a year-on-year increase of 10.2%. Of this amount, recurrent profit was HK$1,820 million, up 13.1% as compared to the same period in the previous year. EBITDA[Note 1] derived from the Group's core ports operation amounted to HK$4,776 million, representing an increase of 8.1% as compared to the same period in the previous year, and accounting for 79.6% of the Group's total EBITDA.

Ports operation

In the first half of 2013, EBIT[Note 2] derived from the Group's ports operation amounted to HK$3,523 million, representing a year-on-year increase of 10.4% and accounting for 80.4% of the total EBIT of the Group, up from 68.7% last year.

During the first half of the year, the Group's ports in Mainland China handled a total container throughput of 27.92 million TEUs, up 6.0% year-on-year, or approximately 4 percentage points above the overall growth rate of foreign-trade-derived container throughput of all ports in Mainland China, thus sustaining the Group's leading position among China port operators. Taking account of the throughput handled by Kao Ming Container Terminal Corporation of Taiwan ("Kao Ming Terminal"), in which the Group together with another two Mainland China enterprises acquired a 30% stake in December 2012, the Group handled a combined container throughput of 3.30 million TEUs in Hong Kong and Taiwan in the first half of 2013, representing a year-on-year increase of 23.0%. As regards overseas, the Group recorded a total container throughput of 1.44 million TEUs for the first half of the year, taking account of throughput handled by the ports into which the Group during the period under review acquired equity stakes, viz Port de Djibouti S.A. ("Port de Djibouti") in East Africa and Terminal Link SAS ("Terminal Link").

The performance of container ports operations varied across regions. In the Pearl River Delta region, the Group's terminals at Western Shenzhen handled 5.62 million

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 joint ventures

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 joint ventures

TEUs in the first half of this year, down marginally by 1.2% year-on-year. Chu Kong River Trade Terminal Co., Ltd. handled 0.59 million TEUs, an increase of 8.3% year-on-year. In the south-eastern coastal China, Zhangzhou China Merchants Port Co., Ltd. ("ZCMP") handled container throughput of 0.28 million TEUs in the first half of the year, representing a significant increase by 32.0% year-on-year owing to the increased domestic demand. In the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd ("SIPG") recorded a throughput volume of 16.33 million TEUs, representing a steady increase of 2.9% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd. handled 1.04 million TEUs, showing a year-on-year increase of 10.0%. In the Bohai Rim region, through the continuous deepening of working relationship with Qingdao Port (Group) Co., Ltd., Qingdao Qianwan United Container Terminal Co., Ltd. saw its container volume jump by 44.2% to 2.75 million TEUs, while Tianjin Five Continents International Container Terminals Co., Ltd. handled 1.16 million TEUs with a year-on-year growth of 10.8%. In respect of our ports operations in Hong Kong and Taiwan, Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong handled a combined container throughput volume of 2.76 million TEUs, up 3.0% year-on-year, while Kao Ming Terminal contributed throughput of 0.54 million TEUs, during the first half of the year. Port de Djibouti and Terminal Link, overseas projects newly acquired by the Group during the period, contributed throughput of 0.33 million and 0.90 million TEUs respectively, which, coupled with the throughput of 0.21 million TEUs, or 10.1% growth year-on-year, by Tin-can Island Container Terminal Limited in Nigeria, West Africa, gave a total throughput handled by our overseas operations of 1.44 million TEUs in the first half of the year.

As regards the Group's bulk cargo handling business, our bulk cargo ports showed encouraging results, having handled 177 million tonnes of bulk cargoes during the first half of 2013, up 8.8% year-on-year: contributed as to 17.94 million tonnes (up 12.2% year-on-year) by the Group's ports in Western Shenzhen, 2.36 million tonnes (up 18.1% year-on-year) by Dongguan Machong Terminal, 4.63 million tonnes (up 11.6% year-on-year) by ZCMP, 103 million tonnes (up 11.6% year-on-year) by SIPG, 13.23 million tonnes (down 7.5% year-on-year) by Qingdao Qianwan West Port United Terminal Co., Ltd. and 33.46 million tonnes (down 0.1% year-on-year) by Zhanjiang Port (Group) Co., Ltd. The newly acquired Port de Djibouti also contributed an additional bulk cargo volume of 1.85 million tonnes.

During the first half year which was prevailed with adverse external operating environment, guided by the directives of "optimizing scale, refining operation, prioritising on efficiency, and re-balancing between resources utilization and strategies", the Group has, on the one hand, continued to refine and upgrade its management system and process, to encourage technological innovation, to enhance management capabilities and to implement cost savings and efficiency gain measures, with an aim of maximizing shareholders' return. On the other, the Group has continued to expand its global footprint by pursuing acquisition of port assets strategically located at hub locations so as to capture opportunities arising from the evolution of international trade flow, and thus creating synergies built on the Group's global port network through optimization of resources, while striving to extend its value chain and promote business model innovation relating to its ports operation, in order to explore new drivers for sustainable growth.

Treading on the momentum built in recent years in expanding on the international arena, the Group continued to deliver remarkable achievements in overseas acquisition during the first half of 2013. The Group has completed, in June, the acquisition of a 49% equity interest in Terminal Link, a wholly-owned subsidiary of CMA CGM SA engaged in the investment in and the development and management of 15 container- and bulk cargo- terminals conveniently situated along major international sea-lanes across 8 countries in 4 continents, thus further anchoring the Group's presence in pursuit of its international strategies for the longer-term development of its port business whilst complementing the Group's existing ports operation and bringing in new growth drivers. Furthermore, the strategic cooperation between the Group and CMA CGM SA is expected to deepen the already existing working relationship between the two parties, which is conducive to consolidating the competitive strength of both parties in the international maritime industry. The commencement of operation, in July, of Colombo International Container Terminal Limited, in which the Group has an 85% equity stake and for which the Group has been constructing/developing since 2011, marked the officiation in Colombo, Sri Lanka of a deep-sea terminal capable of handling the world's largest container vessels. Colombo, an ideal cross-state transshipment hub located in the Indian Ocean that is positioned to not only service the South Asia region but also function as the east-west sea link between Asia and Europe, is expected to play a key role in the Group's endeavours to expand its international ports network.

Simultaneously as it endeavoured to actively expand its overseas operations, the Group has continued to deploy resources in Mainland China with a view to further ensuring its leading position in the region. With the support from the local ports authority, the effort put in by the Group has made possible, since the first half of this year, the rendering of 24-hour cross terminal transference operation across the entire West Shenzhen Port Zone thus facilitating the integration of operations and sharing of resources in the region and thereby enhancing the competitiveness of the West Shenzhen Port Zone. The completion of the Group's acquisition of a 25% stake in Shenzhen Chiwan in April 2013, which has since enabled the Group to fully control and consolidate the management and operation of West Shenzhen Port Zone, has further gravitated the Group's core position in the region.

To capture cargo-flow opportunities derived from the gradual relocation of the coastal-based manufacturing industries to the inland regions necessitates the Group's home-based operation in West Shenzhen to extend its sourcing reach-out to the pan-Pearl River Delta hinterland catchment. In endeavouring to extend its cargo-sourcing reach-out, the Group has participated in the "National Container Sea-rail Inter-modal Transportation Network Application Demonstration Project", a data-collaboration project directed by the Ministry of Transport and run in six selected nationwide sea-rail inter-modal transportation paths, including those in South China. This project, backed by modern communication technologies that enables inter-modal transport data connection, aims to explore and develop a refined model of data collaboration in a multi-modal network with unified information protocol which enables seamless sharing of logistics data along the logistics path across different modes of transportation. The project should thus enhance business synergy and service quality, which is expected to offer the Group a leap forward in its efforts towards implementing its seamless inter-modal connectivity strategy stemmed from West Shenzhen Port Zone.

In the first half of the year, the Group continued to leverage on the established advantages of its Shenzhen homebase ports built on resources, service level and geographical location in encouraging the strategic collaborations between the homebase ports and the river terminals in the Pearl River Delta. In 2012, West Shenzhen Port Zone has, stemmed from the already-operating South China barge shuttle service, successfully launched the pilot service for feeder-routes that now covers a number of river terminals including those at Zhongshan, Huangpu and Foshan. The five feeder-routes currently put into operation have shown promising signs in promoting the hub-and-spoke connectivity and achieving economies of scale.

As regards the Group's operation outside of the West Shenzhen Port Zone, aimed towards better alignment of port assets, the Group has been proactively strengthening and interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities. An example of this is the agreement to establish, jointly with a number of parties including Qingdao Ports Group, Qingdao Dongjiakou Ores Terminal Company Limited, a joint venture engaged in the operation of the already-built dedicated iron ore handling terminals in the Dongjiakou port area. Not only is this terminal well-positioned to provide quality logistics services to the Shandong Province and the nearby areas, it also complements the Group's port business while further forging the Group's strategic relationship with Qingdao Ports Group and other joint venture partners.

As for the managing of port operation, based on the already-established standardisation system for container-handling operation, the Group has continued, during the first half of the year, to work with a well-known international consultancy firm to initiate the development of the second phase of this operational refinement platform. This platform, which relates to a unified corporate data bank constructed by engaging advanced information technology to capture all operational data on standardised basis, aims to establish an efficient management reporting and assessment mechanism that leverages on measurable management assessment tools. Meanwhile, in response to the ever-changing operating environment and continuous development in the logistics industry, the Group has actively promoted innovative management by means of the formation of an innovation and development committee as well as the establishment of an incentive mechanism for innovation, so as to encourage innovation from the aspects of technology and technical process, management and business model, in order to ensure competitiveness of ports.

Bonded logistics and cold chain operations

During the period under review, the Group's bonded logistics and cold chain operations recorded an EBIT of HK$147 million, down 80.3% when compared to that of the same period last year, due primarily to the negative effect derived from deconsolidating Nanshan Outgoing Group since 28 December 2012 as mentioned earlier on in this discussion.

During the first half of 2013, the Group's bonded logistics operations continued to show rapid growth. Capitalizing on the development opportunities in association with the Qianhai Cooperation Zone and fully leveraging on the preferential policies offered at the Qianhai Bonded Port Zone, China Merchants Bonded Logistics Co., Ltd. ("CMBL"), a subsidiary of the Group, has been actively promoting the innovation of bonded logistics operation models in order to capture the business opportunities offered by the cross-border trading activities and cooperation between Shenzhen and Hong Kong through the extension of the port's value chain. During the first half of the year, CMBL recorded double-digit growth in major performance indicators such as total volume of cargoes handled, units of custom declaration, revenue, and profit, hence further enhancing its operational performance. Having optimised its cooperation with customers along with expanded service capability under the philosophy of "innovation of operation models and enhancement of efficiency", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has secured new business modes with new revenue drivers, resulting in significant improvement in its operational results during the period. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobile (in whole) with a view to building up its unique competitive edge. In the absence of an apparent improvement in the growth of the macro economy, the Group's bonded logistics business has nevertheless demonstrated a rapid and consistent growth momentum. This positive performance reflected not only the synergy of collaboration between bonded logistics parks and their corresponding port zones, but also the value through adhering to the Group's strategy in extending the port's value chain and developing bonded logistics.

China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC"), the Group's cold chain logistics operation platform, was listed among "China's Top 50 Food Logistics Enterprises" nominated by China Food Industry Association during the first half of 2013. It also won the "Award of Sincere Cooperation" in pursuing cooperation with a major customer in the same period. CMAC has been widely recognized by customers and industry participants through its rapid development during recent years, and is rapidly establishing its reputation and brand appreciation in the Chinese market. Through the 12 cold storage warehouses located at key cities in Mainland China and Hong Kong owned and/or managed by CMAC, its storage business has significantly improved with a warehouse utilization rate of 76%, up 10 percentage points from that for the same period last year. Corresponding revenue from warehouse storage has reported continually high growth, among which the operating performance of South China Cold Storage Facilities in West Shenzhen and Harbin Storage Facilities were exceptional. As for its business development endeavours targeting to become a leading public cold chain service provider in China, CMAC has been actively seeking to enhance its operation capabilities and improve its competitiveness alongside efforts to develop/increase its market share, such as exploring the feasibility of establishing a procurement and distribution platform for import and export food produce and focusing on market penetration along the up- and down- stream value chain of the cold chain logistics industry.

During the first half of 2013, the total volume of cargoes handled at the two major air cargo terminals in Hong Kong was 1.69 million tonnes, representing an increase of 1.5% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.37 million tonnes of cargoes, up 7.4% year-on-year.

Port-related manufacturing operations

During the first half of 2013, EBIT generated by the Group's port-related manufacturing operations amounted to HK$429 million, down 25.3% year-on-year.

Higher demand for dry cargo containers which led to more orders from customers during the traditional slack season has resulted in a rebound in CIMC's container sales during the period under review. During the first half of 2013, CIMC sold a total of 0.64 million TEUs of dry cargo units, up 15.0% year-on-year, and 80,000 TEUs of reefer and special-purpose units, down 30.0% year-on-year.

During the first half of 2013, despite an increase in the container sales volume, pricing of dry cargo units, reefer containers and special-purpose units all showed a significant drop on a year-on-year basis, resulting in CIMC recording a net profit of RMB552 million, a decrease by 40.9% over that for the same period last year.

Corporate social responsibility

While striving to continuously improve its operating results and generate returns for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and sustainable direction.

In the first half of 2013, the Group has, by adopting innovative technology, been working actively towards "green port" establishment along the direction of "energy saving, emission reduction and low-carbon green" as a means through which to fulfill its corporate social responsibility. Shekou Container Terminals Limited and Chiwan Container Terminal Co., Ltd., subsidiaries of the Group, have joint hands to establish a green and low-carbon demonstration port zone which promotes the use of shore-power supply for vessels, of LNG trailers and LED lamps, and intelligence-designed operation process. The demonstration zone, a modern container port zone that is green, efficient, ecological and sustainable powered by clean and green energy, has been listed as the only demonstration project from South China with a green and low-carbon port theme that enjoys state subsidy.

The Group is committed to integrate its corporate core values into the community by taking active part in various community and charitable events with focuses on, amongst others, helping education, poverty alleviation, making charitable donations and offering community services, and fulfilling its social responsibility as a corporate citizen in facilitating a harmonious environment and sustainable development of our society.

Liquidity and treasury policies

As at 30 June 2013, the Group had approximately HK$4,059 million in cash, 9.8% of which was denominated in Hong Kong dollars, 35.6% in United States dollars, 47.2% in Renminbi and 7.4% 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 investment, and investment returns from associates and joint ventures, which together contributed HK$1,741 million in total.

During the period, the Group's capital expenditure amounted to HK$1,767 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 2013, the Company had 2,491,973,388 shares in issue. During the period, the Company issued 550,000 new shares upon the exercise of share options and received net proceeds of approximately HK$13 million as a result. On 30 July 2013, the Company issued 30,703,763 shares under the Company's scrip dividend scheme.

As at 30 June 2013, the Group's net gearing ratio was approximately 42.5%.

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

During the period, loans for the amounts of USD500 million and EURO390 million were drawn respectively by the Company and a wholly-owned subsidiary from the immediate holding company of the Company, which are repayable within 5 years, to finance the Group's investments and its working capital. Another non-wholly-owned subsidiary of the Company issued a fixed-rate unlisted note maturing in 2014 for the amount of RMB500 million to finance its working capital.

As at 30 June 2013, the Group had aggregate bank borrowings and listed notes payable of HK$1,155 million maturing in 1 to 10 years, the lenders of which require China Merchants Group Limited to remain as the controlling shareholder of the Company. The Group also had aggregate bank borrowings and listed notes payable of HK$10,006 million as at 30 June 2013 that contain customary cross default provisions.

As at 30 June 2013, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2013 *HK$'million*	**31 December 2012** *HK$'million*
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	3,041	3,712
Between 1 and 2 years	184	135
Between 2 and 5 years	3,018	702
More than 5 years	153	335
	6,396	4,884
Fixed-rate listed notes payable are repayable:		
In 2013	—	2,323
In 2015	3,873	3,869
In 2018	1,536	1,534
In 2022	3,818	3,814
	9,227	11,540
Fixed-rate unlisted notes payable are repayable:		
In 2014	628	—
In 2017	624	612
	1,252	612
Loans from ultimate holding company		
Repayable within 1 year	1,027	986
Loans from an intermediate holding company		
Repayable between 2 and 5 years	620	617
Loans from immediate holding company		
Repayable between 2 and 5 years	7,862	—
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	213	183

Note: All bank borrowings are unsecured except for HK$668 million (31 December 2012: HK$540 million).

The interest bearing debts are denominated in the following currencies:

	As at 30 June 2013							
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from immediate holding company	Loans from an intermediate holding company	Loans from ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	3,836	9,227	—	3,892	—	—	—	16,955
RMB	1,905	—	1,252	—	620	1,027	—	4,804
EURO	655	—	—	3,970	—	—	213	4,838
	6,396	9,227	1,252	7,862	620	1,027	213	26,597

	As at 31 December 2012							
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from immediate holding company	Loans from an intermediate holding company	Loans from ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	3,038	11,540	—	—	—	—	—	14,578
RMB	1,344	—	612	—	617	986	—	3,559
EURO	502	—	—	—	—	—	183	685
	4,884	11,540	612	—	617	986	183	18,822

Assets charge

As at 30 June 2013, the Company did not have any charge over its assets. Bank loans of HK$668 million (31 December 2012: HK$540 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$35 million (31 December 2012: HK$35 million) and land use rights with carrying value of HK$7 million (31 December 2012: HK$7 million). In addition, the entire shareholding in a subsidiary owned by the Group is also pledged to various banks for bank facilities granted to that subsidiary.

Employees and remuneration

As at 30 June 2013, the Group employed 5,806 full time staff, of which 167 worked in Hong Kong, 5,529 worked in Mainland China, and the remaining 110 worked overseas. The remuneration paid for the period amounted to HK$594 million, representing 24.4% 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

Looking into the second half of the year, uncertain economic factors, such as monetary policy direction of developed economies like the US and Japan, the recovery pace of the Euro Zone, how much longer would the emerging economies continue to reflect low growth, and trade protectionism are expected to continue to have a direct impact to the global economic growth in 2013. The IMF forecasts that the global economic growth would remain primarily the same as that for last year. That global trade is unlikely to significantly grow in the near term has led on one hand the shipping industry to remain gloomy, and on another to the formation of alliance of major liners. These market-derived adjustments will likely cause the existing international maritime market dilemma to change thereby, in turn, creating both challenges and opportunities to the port operation industry. As for China, bounded by policies that stress "industry upgrade and quality orientation", its domestic economy is unlikely to repeat the high growth momentum exhibited in the past. Key economic development goals for the coming future will likely focus on keeping growth stable, implementing structural adjustments, and encouraging reforms so as to bring forth a systemic unity that combines macro-economy, micro-economy, and social policies.

Affected by both external and domestic economic conditions, the Group believes that Mainland's port industry will in the near term likely encounter the pressure from a continuing growth slowdown, although the traditional peak season in the second half of the year is expected to lend support to China's export trade. The performance of the Group's core ports operation in this period will therefore likely outperform that for the first half due, in part, to the contribution from the newly added overseas projects.

During the second half of the year, by adhering to the Group's established operational philosophy, the Group will continue to expand its overseas portfolio, constantly refine the sophisticated management system, seek to capitalize on the potential benefits from more efficient use of the Group's assets, increase its effort in business innovation and upgrade, and identify new income streams, all in all with a view to intensifying the impetus to support its sustainable growth.

In terms of operation, the Group will continue to enhance the resource efficiency and asset utilisation at its homebase ports in Shenzhen through integration and synchronization of operation and management. The Group will seek to streamline the cargo distribution capabilities at ports and dedicate its effort in driving the development of key initiatives such as the "National Container Sea-rail Inter-modal Transportation Network Application Demonstration Project", the barge network in the Pearl River Delta, the positioning of and synergy effects among river ports, upgrade of berths and improvements in channel capabilities. In addition, the Group will strengthen its intangible advantages by fully leveraging on preferential policies offered at the bonded port zones, improving bonded logistics operational models, promoting collaboration between logistics park and adjacent ports, and elevating these ports' ability in terms of attracting and handling cargoes, while at the same time explore new businesses along the value chain, and capture potential business opportunities offered by cross-border E-commerce and bulk commodity trade.

As regards operational management, the Group will strive to strengthen management quality through innovative ideas. Measures including the building and application of a sophisticated management information platform, and the redesign of performance appraisal system and key performance indicators would be carried out in order to enhance the efficiency of management information gathering to support management analysis and decision making, thus elevating the management quality to a higher level. Meanwhile, the Group will persistently facilitate technological reforms and process optimization, active promotion of energy-saving and emission-reducing measures, and the extension in ports' capabilities both vertically and horizontally, through the construction of green ports.

Looking forward to the second half of the year, amid the global economy continued to be subject to increasing uncertain factors whereas the international maritime industry continued to experience downturn alongside intensified consolidation, the Group's ports operation will surely encounter certain market challenges. Through clearly identifying the conditions prevailing and making considered decisions, we would be able to navigate the Group's business steadily forward and bring about sustainable growth and, in turn, deliver better investment return for shareholders.

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 2013.

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 the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply (the "CG Code") throughout the six months ended 30 June 2013, except the following:

In respect of Code Provision E.1.2 under the CG Code, Dr. Fu Yuning, the Chairman of the Board, did not attend the annual general meeting of the Company held on 18 June 2013 due to business trip. Mr. Li Jianhong, the Vice Chairman took the chair of the annual general meeting according to the Company's Articles of Association. In order to ensure effective communication with the shareholders, members of the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor were present at the annual general meeting to answer shareholders' questions.

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

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 2013 interim report will be despatched to shareholders and published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.cmhi.com.hk) in due course.

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

Hong Kong, 29 August 2013

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.