招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.

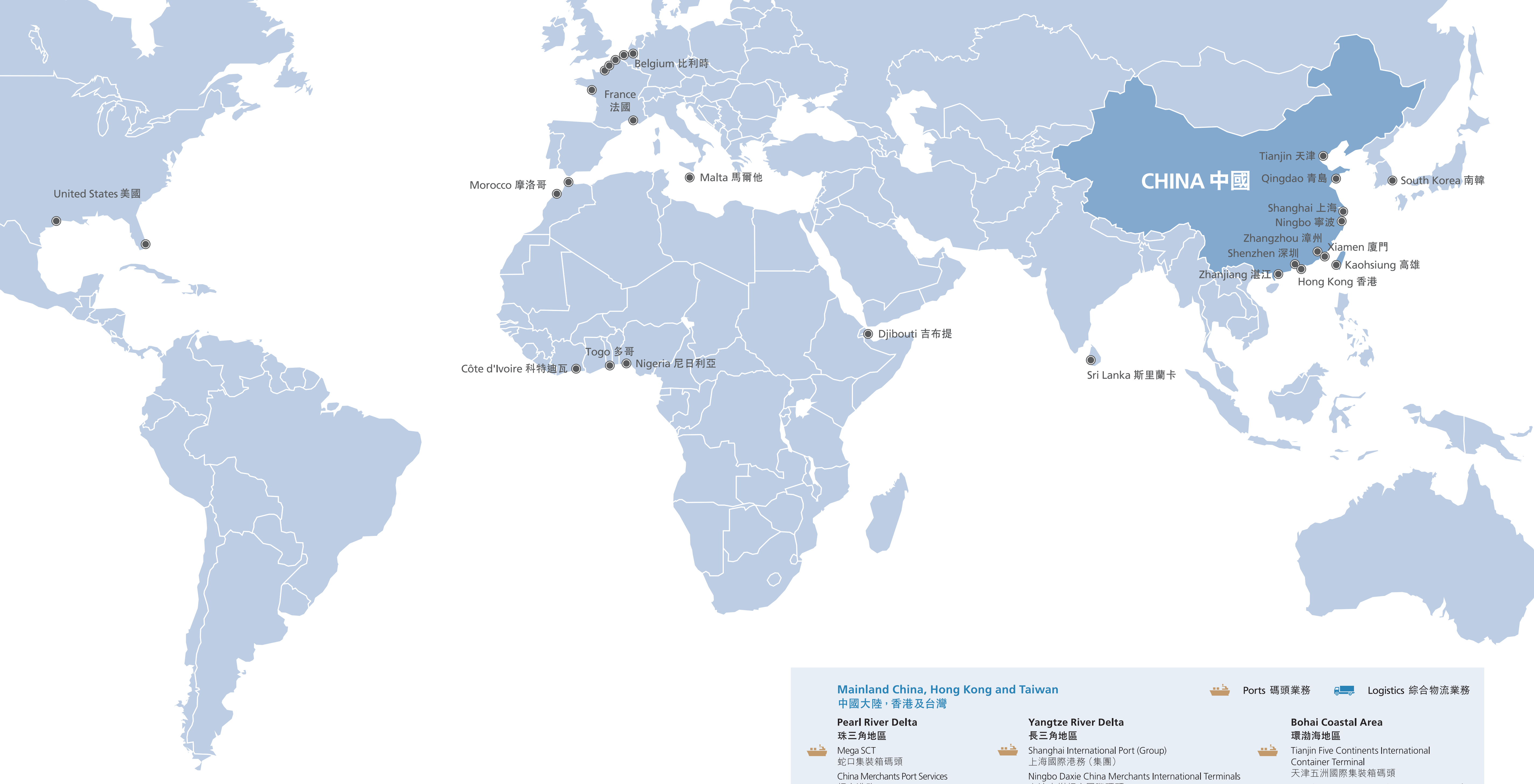
Stock Code 股份代號：00144

INTERIM REPORT 中期報告 2014

WE CONNECT THE WORLD

2014 Contents 目錄

Presence of China Merchants Holdings (International) Company Limited
招商局國際有限公司之業務分佈



Indian Subcontinent and Africa
印度次大陸及非洲

Colombo, Sri Lanka
斯里蘭卡，科倫坡
Colombo South Container Terminal

Lagos, Nigeria
尼日利亞，拉各斯
Tin-Can Island Container Terminal

Lomé, Togo
多哥，洛美
Lomé Container Terminal

City of Djibouti, Djibouti
吉布提，吉布提市
Port de Djibouti

Abidjan, Côte d'Ivoire
科特迪瓦，阿比讓
Terra Abidjan

Europe and Mediterranean
歐洲及地中海

Casablanca, Morocco
摩洛哥，卡薩布蘭卡
Somaport

Tangiers, Morocco
摩洛哥，丹吉爾
Eurogate Tanger

Marsaxlokk, Malta
馬爾他，馬沙斯洛克
Malta Freeport Terminal

Fos, France
法國，福斯
Eurofos

Le Havre, France
法國，勒阿弗爾
Terminal de France
Terminal Nord

Dunkirk, France
法國，敦克爾克
Terminal des Flandres

Montoir, France
法國，蒙圖瓦爾
Terminal du Grand Ouest

Antwerp, Belgium
比利時，安特衛普
Antwerp Gateway

Zeebrugge, Belgium
比利時，澤布呂赫
Container Handling Zeebrugge

Others
其他

Busan, South Korea
南韓，釜山
Busan New Container Terminal

Miami, United States
美國，邁阿密
South Florida Container Terminal

Houston, United States
美國，侯斯頓
Terminal Link Texas

Mainland China, Hong Kong and Taiwan
中國大陸，香港及台灣

Ports 碼頭業務　Logistics 綜合物流業務

Pearl River Delta
珠三角地區

Mega SCT
蛇口集裝箱碼頭

China Merchants Port Services
招商港務

Chiwan Container Terminal
赤灣集裝箱碼頭

Shenzhen Mawan Project
深圳媽灣項目

Shenzhen Chiwan Wharf
深圳赤灣港航

Shenzhen Haixing Harbour Development
深圳海星港口發展

China Merchants Container Services
招商局貨櫃服務

Modern Terminals
現代貨箱碼頭

China Merchants Bonded Logistics
招商局保税物流

China Merchants International Cold Chain
招商局國際冷鏈

KXL Guangzhou
康新 廣州

KXL Hong Kong
康新 香港

Yangtze River Delta
長三角地區

Shanghai International Port (Group)
上海國際港務（集團）

Ningbo Daxie China Merchants International Terminals
寧波大榭招商國際碼頭

Ningbo Port
寧波港

KXL Suzhou
康新 蘇州

KXL Shanghai
康新 上海

CMAL Wuhan
招商美冷物流 武漢

South-West Area
西南地區

Zhanjiang Port
湛江港

KXL Chengdu
康新 成都

Xiamen Bay Economic Zone
廈門灣經濟區

Zhangzhou China Merchants Port
漳州招商局碼頭

Xiamen Haicang Xinhaida Container Terminal
廈門海滄新海達集裝箱碼頭

Bohai Coastal Area
環渤海地區

Tianjin Five Continents International Container Terminal
天津五洲國際集裝箱碼頭

Qingdao Qianwan United Container Terminal
青島前灣聯合集裝箱碼頭

Qingdao Qianwan West Port United Terminal
青島前灣西港聯合碼頭

Qingdao Port Dongjiakou Ore Terminal
青島港董家口礦石碼頭

Qingdao Port International
青島港國際

China Merchants International Terminal (Qingdao)
招商局國際碼頭（青島）

Tianjin Haitian Bonded Logistics
天津海天保税物流

KXL Qingdao
康新 青島

KXL Tianjin
康新 天津

KXL Beijing
康新 北京

KXL Harbin
康新 哈爾濱

Kaohsiung, Taiwan
台灣，高雄

Kao Ming Container Terminal
高明貨櫃碼頭

Corporate Information

Board of Directors

Dr. Fu Yuning *(Chairman)* (resigned on 9 May 2014)
Mr. Li Jianhong *(Chairman)*
(appointed as Chairman on 9 May 2014)
Mr. Li Xiaopeng *(Vice Chairman)*
(appointed on 25 August 2014)
Mr. Li Yinquan
Mr. Hu Zheng
Mr. Meng Xi
Mr. Su Xingang
Mr. Yu Liming
Mr. Hu Jianhua *(Managing Director)*
Mr. Wang Hong
Mr. Zheng Shaoping
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis*

* *independent non-executive director*

Registered Office

38th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Company Secretary

Mr. Leung Chong Shun, Practising Solicitor

Principal Bankers

China Construction Bank
Industrial and Commercial Bank of China
China Merchants Bank
Bank of China

Auditor

Deloitte Touche Tohmatsu

Legal Adviser

Linklaters
Mayer Brown JSM
Vincent T. K. Cheung, Yap & Co.

Stock Code

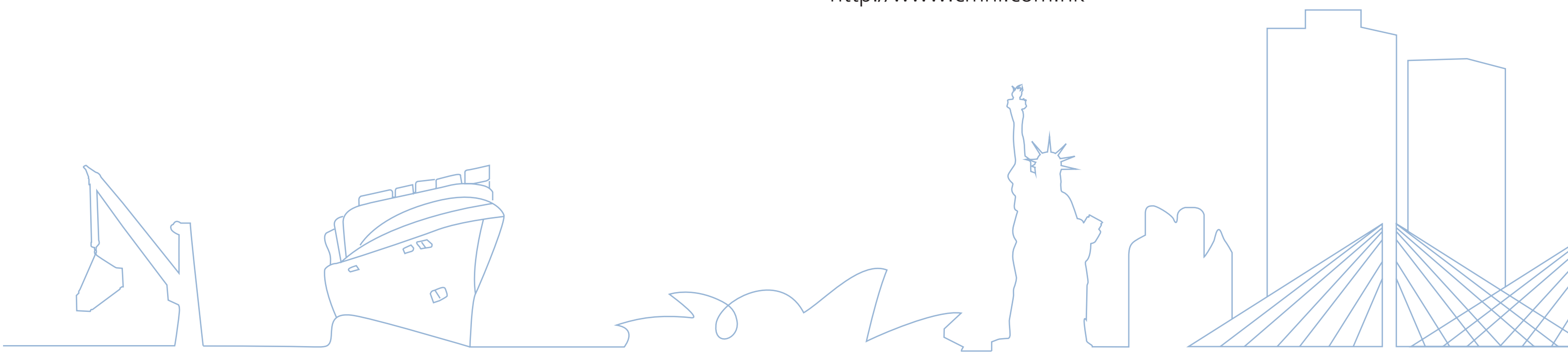
00144

Registrars

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

Website

http://www.cmhi.com.hk



Financial Highlights

	For the six months ended 30 June 2014 HK$'million	2013 HK$'million	Changes
Consolidated statement of profit or loss highlights			
Revenue[1]	**21,776**	20,131	8.2%
Profit attributable to equity holders of the Company	**2,149**	1,935	11.1%
Non-recurrent gains, net of tax[2]	**(43)**	(115)	(62.6%)
Recurrent profit	**2,106**	1,820	15.7%
Earnings per share (HK cents)			
Basic	**83.46**	77.67	7.5%
Diluted	**83.38**	77.56	7.5%
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	0.0%
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**1,723**	1,741	(1.0%)

	30 June 2014 HK$'million	31 December 2013 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	**104,209**	89,191	16.8%
Capital and reserves attributable to equity holders of the Company	**64,069**	48,599	31.8%
Net interest bearing debts[3]	**8,778**	23,753	(63.0%)

	For the six months ended 30 June		
	2014	2013	Changes
	HK$'million	HK$'million	
Revenue[1]			
Ports operation	**10,268**	9,571	7.3%
Bonded logistics and cold chain operations	**421**	417	1.0%
Port-related manufacturing operation	**10,240**	9,028	13.4%
Other operations	**847**	1,115	(24.0%)
Total	**21,776**	20,131	8.2%
EBITDA[4]			
Ports operation	**5,221**	4,776	9.3%
Bonded logistics and cold chain operations	**183**	230	(20.4%)
Port-related manufacturing operation	**688**	607	13.3%
Other operations	**342**	385	(11.2%)
EBITDA	**6,434**	5,998	7.3%
Expenses for corporate function	**(92)**	(71)	29.6%
Net interest expenses[5]	**(959)**	(818)	17.2%
Taxation[5]	**(886)**	(888)	(0.2%)
Depreciation and amortisation[5]	**(1,744)**	(1,616)	7.9%
Non-controlling interests[5]	**(604)**	(670)	(9.9%)
Profit attributable to equity holders of the Company	**2,149**	1,935	11.1%

1. Include revenue of the Company, its subsidiaries and share of revenue of its associates and joint ventures.
2. Include increase in fair value of investment properties of HK$19 million (2013: HK$62 million) and increase in fair value of financial asset at fair value through profit or loss, net of tax, of HK$24 million (2013: HK$53 million).
3. Interest bearing debts less cash and bank balances.
4. Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.
5. Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and joint ventures.

Management Discussion and Analysis

General overview

During the period under review, global economy has been steadily recovering though at paces slower than expected. Along with adjustments in developed economies' fiscal rectification measures and the appropriate easing of their respective monetary policies came the revival of consumption demand although investment appetite in these economies continued to remain weak. The US economy has shown signs of revival but its progress was milder than expected, whereas that for the Euro-zone while being back on track has yet to take time to reflect sustainability. Japan's economy which has gained from the stimulus induced by fiscal policies implemented has yet to restore its long-term growth momentum. In the meantime, all major developed economies are faced with the medium-term risks of stagnation. As for the emerging economies, being deterred by the sluggish growth in demand of developed economies and problems derived from each of their respective economic structures, they have yet to extricate themselves from the decelerated economic growth trends currently prevailing, while being compounded with risks such as financial structures suddenly worsening, or capital liquidity reversing flow directions, etc. The International Monetary Fund ("**IMF**") has expressed concerns over the risks of the global economy trending downwards. That recent tensions in the Middle East which have triggered the risk of another round of oil price rising and the geopolitical conflicts related to Ukraine continuing suggested that globally geopolitical risks have been intensifying. In its latest "Global Economic Prospects" report published on 10 June 2014, the World Bank revised downward its expectations for 2014's global economic growth, though believing that the factors that slowed the growth are temporary. This report forecasted global economy to grow at 2.8% in 2014, lowered from the forecast of a 3.2% growth made in January. The IMF, in its report published in July, also lowered its 2014 growth forecast for the global economy, which is now expected to grow at 3.4%, up 0.2 percentage point from 2013 but down 0.3 percentage point from an earlier forecast made in its April report, amongst which, developed economies were expected to grow by 1.8%, up 0.5 percentage point from 2013; while developing economies were expected to grow by 4.6%, down 0.1 percentage point from 2013. Global trade volume (including goods and services) was expected to grow by 4.0%, representing a year-on-year increase of 0.9 percentage point but down 0.3 percentage point from its forecast made earlier this year.

In the first half of the year, along with a decline in China's GDP growth to 7.4% was a significant slowdown in its foreign trade growth, with its total import and export value amounting to US$2,020.9 billion from January to June this year, reflecting a year-on-year increase of 1.2%, and a 7.4-percentage-point decrease in the growth rate, within which total export value was US$1,061.9 billion, indicating a 0.9% year-on-year increase, and a 9.5-percentage-point decrease in the growth rate; while total import value was US$959.0 billion, representing a 1.5% year-on-year increase, and a 5.2-percentage-point decrease in the growth rate.

In tandem with the slow recovery in the global economy, growth in China's foreign trade has also shown signs of deceleration. Data published by the Ministry of Transport suggested that container throughput handled by Chinese ports of significant scale totaled 96.70 million TEUs during the first half of 2014, representing a year-on-year increase of 5.7% but 2.6 percentage points down as compared to the growth rate for the same period last year.

In the first half of 2014, the Group's ports handled a total container throughput of 38.52 million TEUs, a year-on-year increase of 18.1% due in part to new volumes contributed by port assets acquired during 2013. Bulk cargo volume handled by the Group's ports totaled 181 million tonnes, registering a 2.6% 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 its performance of its container manufacturing business amid a stronger demand in containers, recording sales of 0.70 million TEUs of dry cargo containers and reefers during the first half of the year, up 0.7% year-on-year.

For the six months ended 30 June 2014, profit attributable to equity holders of the Company amounted to HK$2,149 million, representing a year-on-year increase of 11.1%. Of this amount, recurrent profit [Note 1] was HK$2,106 million, up 15.7% as compared to the same period in the previous year, with resilient performance delivered by the Group's existing port portfolio (and helped by the contribution from new overseas assets acquired last year) and improved results reported by the Group's port-related manufacturing business. EBITDA [Note 2] of the Group amounted to HK$6,434 million (up 7.3% year-on-year), within which HK$5,221 million (up 9.3% year-on-year) was derived from the Group's core ports operation, accounting for 81.1% of the Group's total.

Business review

Ports operation

During the period under review, EBIT [Note 3] derived from the Group's ports operation amounted to HK$3,849 million, representing a year-on-year increase of 9.3% and accounting for 82.1% of the Group's total EBIT, up from 80.4% last year.

In the first half of the year, the Group's ports in Mainland China handled a total container throughput of 28.53 million TEUs, up 2.3% year-on-year, thus sustaining the Group's leading position among China port operators. The Group handled a combined container throughput of 3.73 million TEUs in Hong Kong and Taiwan, representing a year-on-year increase of 12.9%. In addition, with the acquisition of equity stakes in Port de Djibouti S.A. ("**PDSA**") in Djibouti, East Africa, and in Terminal Link SAS ("**Terminal Link**") completed in the first half of 2013, together with the commencement of operations of Colombo International Container Terminals Limited ("**CICT**") in July 2013, throughput handled by the Group's overseas projects more than tripled from the same period of last year, recording 6.26 million TEUs during the period.

In Mainland China, the performance of container port operations varied across regions. In the Pearl River Delta region, the Group's terminals at Western Shenzhen handled 5.20 million TEUs in the first half of the year, down 7.4% year-on-year due mainly to improvement efforts towards quality container box mix; Chu Kong River Trade Terminal Co., Ltd. handled 0.58 million TEUs, up 3.5% year-on-year. In the south-eastern coastal China, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") handled container throughput of 0.21 million TEUs in the first half of the year, showing a decline year-on-year owing to the adjustments in cargo mix. In the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd ("**SIPG**") recorded a throughput volume of 17.26 million TEUs, up 5.7% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd. handled 1.21 million TEUs, or a year-on-year increase of 16.4%. In the Bohai Rim region, building on the rapid growth in throughput volume in recent years, Qingdao Qianwan United Container Terminal Co., Ltd. has, during the period under review, sought to improve shipping routes mix, in turn volume mix thereby enhancing its profitability, resulting in significant improvements in its operating results against a slight decline of its container throughput by 6.1% to 2.58 million TEUs. Tianjin Five Continents International Container Terminals Co., Ltd. handled 1.26 million TEUs with a year-on-year growth of 8.3%. The Group's port operations

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for both 2014 and 2013, change in fair value of investment properties and financial asset at fair value through profit or loss.

Note 2 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 3 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.

in Hong Kong and Taiwan delivered a growth rate higher than the region's average, with China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong handling a combined container throughput of 3.11 million TEUs, or a 12.8% increase year-on-year, while Kao Ming Container Terminal Corporation of Taiwan delivered a container throughput of 0.61 million TEUs, up 13.8% year-on-year. On the overseas front, with additional throughput contributed by Terminal Link and CICT, which handled container throughput of 5.34 million TEUs and 0.28 million TEUs respectively, total container throughput handled by the Group's overseas operations amounted to 6.26 million TEUs during the first half of 2014, more than tripling that in the same period of last year. On the other hand, Tin-Can Island Container Terminal Limited in Nigeria has recorded a total container throughput of 0.21 million TEUs, down slightly by 1.6% year-on-year; while PDSA, in which the Group acquired an equity stake in early 2013, handled container throughput of 0.43 million TEUs, an increase of 30.7% year-on-year.

The Group's bulk cargo handling operation recorded a total throughput volume of 181 million tonnes during the period under review, up 2.6% year-on-year, with mixed performance seen in different terminals. The Group's ports in Western Shenzhen handled 12.81 million tonnes during the first half of the year, down 28.6% year-on-year, due mainly to the business transformations pursued by the Group in the Pearl River Delta region; Dongguan Machong Terminal, on the other hand, with an addition of new capacity, handled 4.75 million tonnes, more than doubling that of the same period last year. In the south-eastern coastal China, ZCMP handled 5.20 million tonnes, up 12.2% year-on-year. In the Yangtze River Delta region, SIPG handled 97.13 million tonnes, down 5.5% year-on-year. In the Bohai Rim region, due to the relocation of the ore handling business to Dongjiakou, Qingdao Qianwan West Port United Terminal Co., Ltd. handled a throughput of 8.42 million tonnes, down 36.3% on a year-on-year basis; Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("**Dongjiakou Terminal**"), the formation of and capital injection into which by the Group to the extent of 25% of its registered capital was completed during the period, contributed an additional throughput of 12.93 million tonnes to the Group. In the south-western coastal China, Zhanjiang Port (Group) Co., Ltd handled 37.80 million tonnes, up 13.0% year-on-year, while on the overseas front, throughput handled by PDSA was down slightly by 1.6% on a year-on-year basis to 1.83 million tonnes.

During the first half of the year which was prevailed with adverse external operating environment, the Group, guided by its directives of "integrating and optimizing resources, transforming and refining operations, intensifying the execution of strategies, thereby elevating the business scale, service quality and asset efficiency", has initiated various tasks during the period. On the one hand, following the industry trends, the Group has been enhancing asset efficiency through measures including integration of resources, transformation and upgrade of businesses and enhancement of operational management; while on the other, guided by its established strategies, the Group has deepened its efforts in implementing its domestic strategies, overseas strategies and innovation strategies, whilst proactively exploring the extension of value chain and innovation of business models, with an aim of enabling itself to effectively capture the available market opportunities, and in turn creating new drivers for the Group to grow sustainably.

Concerning overseas expansion, ongoing progress has been made as planned during the first half of 2014. An implementation agreement was signed in January with the Government of the United Republic of Tanzania regarding the Bagamoyo Project, signifying a milestone of the project, while the construction for Lomé Container Terminal in West Africa has been progressing as scheduled, with the completion expected by the end of this year. Elsewhere, having commenced its first phase of operation in July 2013 and completed the construction of the entire project during the period, CICT, the Group's first ever overseas greenfield project, delivered an operational performance that was in line with expectation, contributing container throughput of 0.28 million TEUs during the period under review, thus allowing the Group to gain extensive experience in the development and operation of overseas projects.

Regarding the on-going establishment of its West Shenzhen homebase ports, leveraging on the foundation built upon the acquisition of additional stake in and entrustment arrangement relating to Shenzhen Chiwan Wharf Holdings Limited made last year, and conforming to the industry development trends and the urbanization process in the region, the Group has been actively seeking to transform and upgrade the West Shenzhen Port Zone, with an aim of optimizing resources allocation and enhancing assets efficiency. The South China Container Terminal ("**SCCT**"), a management unit overseeing the container handling ports in the West Shenzhen Port Zone, continued to dedicate its efforts in consolidating the ports within the region, an example of which is the integration of the ports under SCCT's management with Jetty Two West currently operated by China Merchants Port Services (Shenzhen) Co., Ltd., a subsidiary of the Group, which is of significant importance to the Group in terms of synchronization of resources, the creation of synergies and the elevation of overall competitiveness of the West Shenzhen Port Zone. The Group's self-developed container terminal operation system, "CM Port", went live successfully in Shekou Container Terminals Limited ("**SCT**") during the period, symbolizing a noticeable progress made towards the adoption of a terminal operating system developed by a subsidiary of the Group, China Merchants Holdings (International) Information Technology Company Limited, by all terminals in the West Shenzhen Port Zone. Besides, the Shenzhen Government has given its in-principle agreement to enlarging the Qianhaiwan Free Trade Port Area and the road network refinement in the West Shenzhen Port Zone proximity continued to progress

as planned, altogether facilitating the inland ports located in the Pearl River Delta region and the sea-rail link to steadily capture business potential in the proximity.

As regards the Group's China operation outside of the West Shenzhen Port Zone, having completed the equity injection in Dongjiakou Terminal in March, the Group has also become the second largest shareholder of Qingdao Port International Co., Ltd. by acquiring as a promoter additional equity stake when the latter went public in June and became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). These equity investments combined would further strengthen and deepen the already-established long-term partnership between, and thus bringing mutual benefits to, the parties involved.

As for the managing of ports operation, the Group has continued to work with an internationally well-known consultancy firm on not only the initiation of a standardized system for container handling operation, but also the design and development of an operational refinement platform, with a goal to comprehensively enhance operational management quality. The operational refinement platform was put into trial run during the period, allowing the Group to maintain a unified corporate database, through which the Group will be able to establish sets of quantitative performance evaluation mechanism with the aid of advanced information technologies, thereby applying the concept of refining operational management in practical ways, and in turn elevating the efficiency of decision-making and quality of operational management. Meanwhile, to adapt to the ever-changing market and development trends of the industry, the Group has also been actively promoting innovative management by setting up an innovation and development committee alongside an incentive scheme to encourage innovation from the aspects of technology and technical process, management and business model, all in all with an aim of bringing the Group's innovation management to a higher level.

Bonded logistics and cold chain operations

For the six months ended 30 June 2014, the Group's bonded logistics and cold chain operations recorded EBIT of HK$99 million, down 32.7% year-on-year.

During the first half of 2014, the Group's bonded logistics operation continued to show rapid growth. Capitalizing on the development opportunities availed from the latest development at Qianhai Cooperation Zone and 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 pursuing the innovation of bonded logistics operation model and exploring potential business opportunities offered through 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, backed by the relevant government authorities, CMBL has successfully launched the tax refund service for the "last mile" cross-border e-commerce exports during the period, signifying the extension of the cross-border e-commerce export business to the entire supply chain, putting the Group in a favourable position in promoting business, exploring potential markets, as well as nurturing new profit growth driver. Under the philosophy of "business model and service innovation, and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in developing the consolidation and deconsolidation business for international transshipment cargoes, expanding service capabilities, and integrating traditional with new business models, thus achieving noticeable growth 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. Against the backdrop of a feeble growth in global economic and trade activities, the Group's bonded logistics business has demonstrated a consistent and rapid growth momentum, which reflected not only the ever-increasing synergy via collaboration between bonded logistics parks and their corresponding port zones, but also the value of the Group's strategy in extending the port's value chain and developing bonded logistics business.

China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, the Group's cold chain logistics operation platform, managed

13 cold storage warehouses with a gross floor area of approximately 150 thousand square meters in China during the period, with a stable business scale and relatively solid market reputation and brand appreciation.

During the period under review, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 1.85 million tonnes, representing an increase of 9.0% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.30 million tonnes of cargoes, down 19.0% year-on-year.

Port-related manufacturing operation

During the period under review, EBIT generated by the Group's port-related manufacturing operation amounted to HK$485 million, up 13.1% year-on-year.

Stronger demand for containers during the traditional slack season, leading to more orders from customers, has resulted in a rebound in CIMC's container sales during the period. CIMC sold a total of 0.70 million TEUs of dry cargo containers and reefers, up 0.7% year-on-year, and recorded net profit of RMB1,035 million, up 87.5% year-on-year.

Financial review

For the six months ended 30 June 2014, revenue [Note 4] of the Group reached HK$21,776 million, up 8.2% year-on-year, with that from the Group's core ports operation rose 7.3% to HK$10,268 million (from HK$9,571 million during the same period last year), as a result of an improvement in the container mix of the Group's existing portfolio and added contribution from new overseas operations. Profit attributable to equity holders of the Company for the six months ended 30 June 2014 amounted to HK$2,149 million, up 11.1% year-on-year. Of this amount, recurrent profit was HK$2,106 million (up 15.7% as compared to the same period in the previous year), driven by both continuing growth from existing ports and additions from overseas assets acquired last year, and with CIMC delivering an improved set of results.

EBITDA derived from the Group's core ports operation amounted to HK$5,221 million, up 9.3% year-on-year and accounting for 81.1% of the Group's total EBITDA, while EBITDA margin [Note 5] of the Group's core ports operation sustained at 50.8% (versus 49.9% in the same period last year) as costs, in particular labour cost, escalated have been somewhat mitigated by the Group's devoted efforts towards efficiency improvements.

In March 2014, the Group launched, by way of an open offer to qualifying shareholders, the Mandatory Convertible Securities ("**MCS**") issue to raise not less than HK$15.3 billion, to be fully underwritten by China Merchants Union (BVI) Limited ("**CMU**") (which is 50% beneficially owned by the Company's ultimate holding company, China Merchants Group Limited). The MCS issue was successfully completed in June 2014, thereby improving the Group's capital structure, in turn lifting the Group's credit profile and enhancing its borrowing capabilities.

As at 30 June 2014, total assets of the Group was HK$104,209 million (31 December 2013: HK$89,191 million), representing an increase of 16.8% as compared with the last reporting date. The Group received net proceeds of HK$15,287 million upon the completion of the MCS issue, resulting in its cash and bank balances more than tripled to HK$15,673 million and a corresponding significant decrease in net borrowings (total interest bearing debt less cash and bank balances) to HK$8,778 million. Net assets attributable to equity holders of the Company was HK$64,069 million as at 30 June 2014, representing an increase of 31.8% over the last reporting date.

Note 4 Revenue for the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Note 5 EBITDA as a percentage of revenue.

Net cash inflow from operating activities came in at HK$1,723 million, shortened by 1.0% year-on-year, with the Group's ports operation continuing to generate steady cash flows. Notwithstanding a substantially less spending on business acquisitions during the six months ended 30 June 2014, net cash outflow from investing activities rose to HK$8,195 million from HK$5,590 million a year ago, owing to a net increase in short-term time deposits with the net proceeds raised from the aforementioned MCS issue, which also resulted in a substantial increase in net cash inflow from financing activities to HK$12,253 million as compared to HK$4,933 million for the six months ended 30 June 2013.

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.

During the period under review, the Group has continued to work actively towards "green port" establishment orienting on innovative technology, along the direction of "energy saving, emission reduction and low-carbon green" as a means to fulfill its corporate social responsibility. Locating in the only low-carbon demonstration port zone in South China that is subsidized by the government, both SCT and Chiwan Container Terminal Co., Ltd., subsidiaries of the Group, have been working actively in terms of implementing the pilot programs relating to the establishment of low-carbon green ports. 13 key implementation programs, including the use of shore-power supply for vessels, LNG trailers and LED lamps, have been promoted, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable powered by clean and green energy.

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 2014, the Group had approximately HK$15,673 million in cash, 46.9% of which was denominated in Hong Kong dollars, 5.8% in United States dollars, 19.1% in Renminbi and 28.2% 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 operation, property investment, and investment returns from associates and joint ventures, which together contributed HK$1,723 million in total.

During the period, the Group incurred capital expenditure amounting to HK$1,595 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position. 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

In March 2014, the Group proposed to issue the MCS in the principal amount of not less than HK$15.3 billion by way of an open offer to qualifying shareholders at a subscription price of HK$30.26 on the basis of one unit of MCS for every five ordinary shares, with the aim of improving the Group's credit profile and enhancing its borrowing capabilities, and consequently bringing the Group's capital structure to an even healthier level. In June 2014, the issuance of MCS was completed whereby the Company received net proceeds of approximately HK$15,287 million by issuing 505,400,882 units of MCS, with CMU, which is 50% beneficially owned by the ultimate holding company of the Company, China Merchants Group Limited, fully underwriting the issue.

As at 30 June 2014, the Company had 2,527,004,412 shares in issue. During the period, the Company issued 314,000 new shares upon the exercise of share options and received net proceeds of approximately HK$7 million as a result. On 4 July 2014, the Company issued 19,687,031 shares under the Company's scrip dividend scheme.

As at 30 June 2014, the Group's net gearing ratio was approximately 12.2%.

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.

During the period, a non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note with maturity in 2015 for the amount of RMB400 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$13,433 million as at 30 June 2014 that contain customary cross default provisions.

As at 30 June 2014, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2014 HK$'million	31 December 2013 HK$'million
Floating-rate bank borrowings which are repayable as follows (Note):		
Within 1 year	**1,410**	1,703
Between 1 and 2 years	**1,185**	244
Between 2 and 5 years	**1,138**	1,777
More than 5 years	**2,878**	1,720
	6,611	5,444
Fixed-rate listed notes payable which are repayable:		
In 2015	**3,874**	3,873
In 2018	**1,538**	1,537
In 2022	**3,822**	3,821
	9,234	9,231
Fixed-rate unlisted notes payable which are repayable:		
In 2014	**—**	636
In 2015	**503**	—
In 2017	**627**	633
In 2018	**626**	631
	1,756	1,900
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	**112**	78
Between 2 and 5 years	**1,310**	1,323
	1,422	1,401
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	**820**	—
Between 1 and 2 years	**—**	637
Between 2 and 5 years	**126**	—
	946	637
Loans from a shareholder		
Repayable between 2 and 5 years	**4,124**	8,053
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	**358**	292

Note: All bank borrowings are unsecured except for HK$3,905 million (31 December 2013: HK$2,524 million).

The interest bearing debts are denominated in the following currencies:

	As at 30 June 2014							
	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from a shareholder HK$' million	Loans from an intermediate holding company HK$' million	Loans from the ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	**3,927**	**9,234**	—	—	—	—	—	**13,161**
RMB	**1,383**	—	**1,756**	—	**946**	**1,422**	—	**5,507**
EURO	**1,301**	—	—	**4,124**	—	—	**358**	**5,783**
	6,611	**9,234**	**1,756**	**4,124**	**946**	**1,422**	**358**	**24,451**

	As at 31 December 2013							
	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from a shareholder HK$' million	Loans from an intermediate holding company HK$' million	Loans from the ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	2,509	9,231	—	3,877	—	—	—	15,617
RMB	2,142	—	1,900	—	637	1,401	—	6,080
EURO	793	—	—	4,176	—	—	292	5,261
	5,444	9,231	1,900	8,053	637	1,401	292	26,958

Assets charge

As at 30 June 2014, bank loans of HK$3,905 million (31 December 2013: HK$2,524 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$32 million (31 December 2013: HK$34 million) and land use rights with carrying value of HK$7 million (31 December 2013: HK$7 million). In addition, the entire shareholdings in two subsidiaries as at 30 June 2014 and 31 December 2013, respectively owned by the Company and its subsidiary, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

Employees and remuneration

As at 30 June 2014, the Group employed 5,947 full time staff, of which 183 worked in Hong Kong, 5,561 worked in Mainland China, and the remaining 203 worked overseas. The remuneration paid for the period amounted to HK$689 million, representing 25.8% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to their performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers discretionary 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 to subscribe for shares of the Company. 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, growth in the global economy is expected to encounter a lot of uncertainties. Factors such as geopolitical risks, directions of the monetary policies of developed economies like Europe, the US and Japan, the recovery momentum of the Euro-zone, and the duration of the consecutively-low growth environment of the emerging economies would, all of them, directly impact the global economy's growth performance in 2014. Global trade is unlikely to significantly improve in the near term and is expected to grow no more than 4%. In the maritime sector, the disapproval of the proposed formation of P3 alliance which has led to the immediate subsequent realignment of certain sizeable shipping liners would likely affect the market order of the shipping space and, in turn, bring about both new challenges and opportunities to the ports industry globally. As for China, bounded by policies that stress "industry upgrade and structural adjustments", its domestic economy is expected to grow at the 7.0% to 7.5% range, with stabilizing growth, implementing structural adjustments, and encouraging reforms identified as the key goals for the country to achieve sustainable economic development for the long term.

The Group is of the view that, although the traditional peak season in the second half of this year is expected to drive China's export trades, China's port industry would continue to be pressurised by the continuing decelerated growth, owing to the economic conditions, both external and domestic. Notwithstanding, with contributions from the newly added overseas projects, the performance of the Group's ports operation seen in the first half is expected to sustain throughout the remaining of the year.

For the second half of the year, guided by the already-established operation philosophies, the Group will continue to steadily expand its international footprint, intensify its efforts to refine its management system, enhance its asset efficiency, increase its efforts in business innovation and upgrade, and explore and nurture new business and income growth, all in all with a view to adding new driving forces for sustaining the Group's future development.

As for its business operation, the Group will continue to strive for enhancement of resource efficiency and asset utilisation at its homebase ports through optimizing resources allocation and integrating its operations, and will dedicate its effort in driving the development of key initiatives, including the upgrading of berths, improvements in channel capabilities, and streamlining of comprehensive cargo distribution capabilities based upon the barge network in the Pearl River Delta and sea-rail inter-modal transportation network. 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 model, promoting collaboration between logistics park and adjacent ports, and elevating these ports' ability in terms of attracting cargo convergence, while at the same time engage the Group in exploring new businesses along the value chain, and capturing potential business opportunities presented by cross-border e-commerce and bulk commodity trade.

As regards operational management, the Group will strive to enhance the timeliness and accuracy of management information gathered, through promoting the application of a sophisticated management information platform, based on which the key performance indicators are established, performance appraisal system are redesigned and management analysis and decision making tools are strengthened, thereby elevating management quality to a higher level. Meanwhile, through the construction of green ports, the Group will persistently facilitate technological reforms and process optimization, the active promotion of energy-saving and emission-reducing measures, and the extension in ports' capabilities both vertically and horizontally.

In terms of financial management, the MCS issue successfully completed during the first half of the year has greatly enhanced the Group's capital structure and significantly reduced its debt level. Simultaneously as the Group continues to be financially disciplined, the Group intends to, without compromising its adherence to maintaining a comfortable capital adequacy position, strive to boost its profitability, and in turn cultivate better return on equity.

Looking ahead, the second half of the year is faced with the combined backdrop of a slowly recovering global economy where growth is challenged with a number of uncertainties while the further rationalisation in forming alliances is expected of the international maritime industry. The Group's ports operation is expected to encounter new opportunities as well as challenges. Through clearly visualising the conditions prevailing and endeavouring to steadily progress, we would be able to navigate the Group's business sustainably forward and bring about sustainable growth and, in turn, deliver better investment return for shareholders.

Interim dividend

In order to reward investors'continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$560 million for the six months ended 30 June 2014 (representing a dividend payout of 26.1%) by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend (or part thereof) in cash in lieu of such allotment (2013: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 27 November 2014 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 6 October 2014 (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 20 October 2014. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 27 November 2014.

Closure of register

The Register of Members will be closed from 26 September 2014 to 6 October 2014 (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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 25 September 2014.

Directors' interests in securities

As at 30 June 2014, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and share options in the Company

Name of director	Capacity	Nature of interest	Number of shares in the Company	Number of shares in the Company subject to share options granted	Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2014
Mr. Li Yinquan	Beneficial owner	Personal interest	—	400,000	0.0158%
Mr. Hu Zheng	Beneficial owner	Personal interest	—	414,000	0.0164%
Mr. Meng Xi	Beneficial owner	Personal interest	—	200,000	0.0079%
Mr. Su Xingang	Beneficial owner	Personal interest	—	350,000	0.0139%
Mr. Yu Liming	Beneficial owner	Personal interest	407,195	500,000	0.0359%
Mr. Wang Hong	Beneficial owner	Personal interest	541,988	150,000	0.0274%
Mr. Zheng Shaoping	Beneficial owner	Personal interest	—	300,000	0.0119%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	168,862	—	0.0067%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,656,139	—	0.0655%
			2,774,184	2,314,000	0.2014%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2014, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange.

Apart from the share option scheme disclosed below, at no time during the current period was any of the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share option scheme

At an extraordinary general meeting of the Company held on 9 December 2011, the shareholders of the Company adopted the new share option scheme (the "**Share Option Scheme**") and the previous share option scheme (the "**Terminated Scheme**") was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates, to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by the CMHK Group (representing China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**"), an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group (together with the directors and employees of the Company, its subsidiaries and associates, the "**Eligible Persons**").

Details of the share options outstanding as at 30 June 2014 which have been granted under the Terminated Scheme and the Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2014	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 30 June 2014
Directors							
Mr. Li Yinquan	25 May 2006	23.03	400,000	—	—	—	400,000
Mr. Hu Zheng	27 October 2004	11.08	14,000	—	—	—	14,000
	25 May 2006	23.03	400,000	—	—	—	400,000
Mr. Meng Xi	25 May 2006	23.03	200,000	—	—	—	200,000
Mr. Su Xingang	25 May 2006	23.03	350,000	—	—	—	350,000
Mr. Yu Liming	25 May 2006	23.03	500,000	—	—	—	500,000
Mr. Wang Hong	25 May 2006	23.03	150,000	—	—	—	150,000
Mr. Zheng Shaoping	25 May 2006	23.03	300,000	—	—	—	300,000
			2,314,000	—	—	—	2,314,000
Continuous contract employees							
(I) The Group	27 October 2004	11.08	500,000	—	—	—	500,000
	25 May 2006	23.03	11,347,000	—	—	—	11,347,000
	21 June 2006	20.91	150,000	—	—	—	150,000
(II) The CMHK Group	27 October 2004	11.08	40,000	—	—	—	40,000
	25 May 2006	23.03	7,710,000	—	(314,000)	—	7,396,000
			19,747,000	—	(314,000)	—	19,433,000
Other Eligible Persons							
The Group	25 May 2006	23.03	400,000	—	—	—	400,000
			22,461,000	—	(314,000)	—	22,147,000

Notes:

1. The above outstanding share options can be exercised at any time during a period of 10 years commencing on the date of grant of the options.
2. The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$27.335.
3. No share options were granted under the Terminated Scheme and the Share Option Scheme during the period.

Substantial shareholders

As at 30 June 2014, the following persons, other than a Director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Positions

Name of Substantial Shareholder	Capacity	Shares/underlying Shares held	Percentage of total issued shares
China Merchants Group Limited	Interest of Controlled Corporation	1,894,918,269[1,2,3]	74.99%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,891,318,269[2]	74.84%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,891,318,269[2]	74.84%
China Merchants Union (BVI) Limited	Beneficial Owner	911,410,193[2]	36.07%
China Merchants Investment Development Company Limited	Beneficial Owner	715,398,622[2]	28.31%
Hoi Tung Marine Machinery Suppliers Limited	Interest of Controlled Corporation	243,360,576[2]	9.63%
Hoi Tung Investment (Yantai) Limited	Beneficial Owner	243,360,576[2]	9.63%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	914,134,878[4]	36.17%
Compass Investment Company Limited	Interest of Controlled Corporation	914,134,878[4]	36.17%
GUOXIN International Investment Corporation Limited	Interest of Controlled Corporation	911,410,193[5]	36.07%
Verise Holdings Company Limited	Interest of Controlled Corporation	911,410,193[5]	36.07%

Notes:

1. Each of China Merchants Steam Navigation Company Limited and China Merchants Shekou Industrial Zone Company Limited is wholly-owned by China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 1,894,918,269 shares (of which 502,676,197 shares represents interest of underlying shares of equity derivatives), which represents the aggregate of 1,891,318,269 shares deemed to be interested by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,600,000 shares deemed to be interested by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).

2. CMHK is wholly-owned by China Merchants Steam Navigation Company Limited. Each of China Merchants Investment Development Company Limited, Hoi Tung Marine Machinery Suppliers Limited and China Merchants International Finance Company Limited is in turn wholly-owned by CMHK and China Merchants Union (BVI) Limited ("**CMU**") is 50%-owned by CMHK.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,891,318,269 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 911,410,193 shares beneficially held by CMU, 715,398,622 shares beneficially held by China Merchants Investment Development Company Limited, 243,360,576 shares deemed to be interested by Hoi Tung Marine Machinery Suppliers Limited and 21,148,878 shares deemed to be interested by China Merchants International Finance Company Limited.

   As Hoi Tung Investment (Yantai) Limited is wholly-owned by Hoi Tung Marine Machinery Suppliers Limited, Hoi Tung Marine Machinery Suppliers Limited is deemed to be interested in the 243,360,576 shares beneficially held by Hoi Tung Investment (Yantai) Limited. As Best Winner Investment Limited is wholly-owned by China Merchants International Finance Company Limited, China Merchants International Finance Company Limited is deemed to be interested in the 21,148,878 shares beneficially held by Best Winner Investment Limited.

3. Top Chief Company Limited is wholly-owned by China Merchants Shekou Industrial Zone Company Limited and Orienture Holdings Company Limited is in turn wholly-owned by Top Chief Company Limited. China Merchants Shekou Industrial Zone Company Limited is deemed to be interested in the 3,600,000 shares which are deemed to be interested by Top Chief Company Limited. Such shares represent the 3,600,000 shares beneficially held by Orienture Holdings Company Limited.

4. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited on 21 May 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited, which is in turn 90%-owned by Compass Investment Company Limited, which is in turn wholly-owned by Pagoda Tree Investment Company Limited. Therefore, each of Verise Holdings Company Limited, GUOXIN International Investment Corporation Limited, Compass Investment Company Limited and Pagoda Tree Investment Company Limited is deemed to be interested in the 914,134,878 shares beneficially held by CMU.

5. According to the disclosure of interests form submitted by GUOXIN International Investment Corporation Limited on 12 June 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited. Therefore, each of Verise Holdings Company Limited and GUOXIN International Investment Corporation Limited is deemed to be interested in the 911,410,193 shares beneficially held by CMU.

Short Position

Nil

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

Corporate Governance

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

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period.

In the opinion of the 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 throughout the six months ended 30 June 2014.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 23 May 2014 to answer shareholders' questions.

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

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2014 and the 2014 Interim Report.

Update on Director's Biographical Details

Mr. Li Jianhong, Chairman of the Company, was appointed as the Chairman of China Merchants Group Limited ("**China Merchants Group**") with effect from 2 July 2014. He was also appointed as a Non-executive Director of China Merchants Bank Co., Ltd. ("**China Merchants Bank**") with effect from 4 July 2014 and was subsequently appointed as the Chairman of China Merchants Bank with effect from 8 August 2014. Mr. Li resigned as the Chairman of China Merchants Energy Shipping Company Limited with effect from 9 August 2014.

With effect from 15 July 2014, the titles of Messrs. Li Yinquan, Hu Zheng, Meng Xi, Su Xingang and Yu Liming, Executive Directors of the Company, at China Merchants Group were amended to Executive Vice Presidents and the title of Mr. Hu Jianhua, Managing Director of the Company, at China Merchants Group was amended to Assistant President.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the period.

By order of the Board
Li Jianhong
Chairman

Hong Kong, 28 August 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Note	Unaudited **2014** **HK$'million**	2013 HK$'million
Revenue	6	**3,924**	3,745
Cost of sales		**(2,223)**	(2,025)
Gross profit		**1,701**	1,720
Other gains, net	8	**53**	205
Other income	8	**118**	97
Administrative expenses		**(443)**	(410)
Operating profit		**1,429**	1,612
Finance income	9	**46**	33
Finance costs	9	**(563)**	(498)
Finance costs, net	9	**(517)**	(465)
Share of profits less losses of			
Associates		**1,761**	1,450
Joint ventures		**193**	139
		1,954	1,589
Profit before taxation		**2,866**	2,736
Taxation	10	**(386)**	(382)
Profit for the period	11	**2,480**	2,354
Attributable to:			
Equity holders of the Company		**2,149**	1,935
Non-controlling interests		**331**	419
Profit for the period		**2,480**	2,354
Dividend	12	**560**	555
Earnings per share for profit attributable to equity holders of the Company	13		
Basic (HK cents)		**83.46**	77.67
Diluted (HK cents)		**83.38**	77.56

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Unaudited 2014 HK$'million	2013 HK$'million
Profit for the period	**2,480**	2,354
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	**(503)**	717
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	**(157)**	(376)
Share of investment revaluation reserve of associates	**(25)**	(55)
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	**36**	63
Total other comprehensive (expense)/income for the period, net of tax	**(649)**	349
Total comprehensive income for the period	**1,831**	2,703
Total comprehensive income attributable to:		
Equity holders of the Company	**1,566**	2,215
Non-controlling interests	**265**	488
	1,831	2,703

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Note	**Unaudited 30 June 2014 HK$'million**	Audited 31 December 2013 HK$'million
ASSETS			
Non-current assets			
Goodwill	14	**3,310**	3,318
Intangible assets	14	**5,720**	5,274
Property, plant and equipment	14	**19,021**	19,034
Investment properties	14	**1,855**	1,839
Land use rights	14	**7,905**	7,967
Interests in associates	15	**35,908**	36,213
Interests in joint ventures		**6,278**	5,729
Other financial assets		**2,500**	2,523
Other non-current assets		**1,575**	1,371
Deferred tax assets		**108**	121
		84,180	83,389
Current assets			
Inventories		**116**	94
Other financial assets		**592**	558
Debtors, deposits and prepayments	16	**3,334**	1,627
Taxation recoverable		**—**	1
Cash and bank balances		**15,673**	3,205
		19,715	5,485
Non-current assets held for sale		**314**	317
		20,029	5,802
Total assets		**104,209**	89,191

As at 30 June 2014

	Note	**Unaudited 30 June 2014 HK$'million**	Audited 31 December 2013 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**16,973**	253
Mandatory convertible securities	18	**15,287**	—
Reserves		**31,249**	46,956
Proposed dividend		**560**	1,390
		64,069	48,599
Non-controlling interests		**7,949**	7,827
Total equity		**72,018**	56,426
LIABILITIES			
Non-current liabilities			
Loans from shareholders	19	**5,560**	10,013
Other financial liabilities	20	**12,172**	14,528
Other non-current liabilities		**1,536**	1,523
Deferred tax liabilities		**1,949**	1,949
		21,217	28,013
Current liabilities			
Creditors and accruals	21	**3,967**	2,126
Loans from shareholders	19	**932**	78
Other financial liabilities	20	**5,787**	2,339
Taxation payable		**288**	209
		10,974	4,752
Total liabilities		**32,191**	32,765
Total equity and liabilities		**104,209**	89,191
Net current assets		**9,055**	1,050
Total assets less current liabilities		**93,235**	84,439

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Unaudited							
	Attributable to equity holders of the Company						Non-controlling interests	Total
	Share capital HK$'million	Mandatory convertible securities HK$'million	Share premium HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2014	253	—	16,713	8,316	23,317	48,599	7,827	56,426
COMPREHENSIVE INCOME								
Profit for the period	—	—	—	—	2,149	2,149	331	2,480
Other comprehensive (expense)/income								
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	—	(437)	—	(437)	(66)	(503)
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	—	—	—	(157)	—	(157)	—	(157)
Share of reserves of associates	—	—	—	11	—	11	—	11
Total other comprehensive expense for the period, net of tax	—	—	—	(583)	—	(583)	(66)	(649)
Total comprehensive (expense)/income for the period	—	—	—	(583)	2,149	1,566	265	1,831
TRANSACTIONS WITH OWNERS								
Issue of shares on exercise of share options, net of share issue expenses	—	—	7	—	—	7	—	7
Transfer from share premium and capital redemption reserve upon abolition of par value (Note)	16,720	—	(16,720)	—	—	—	—	—
Issue of mandatory convertible securities, net of issue expenses	—	15,287	—	—	—	15,287	—	15,287
Transfer to reserves	—	—	—	275	(275)	—	—	—
Capital contribution to a subsidiary	—	—	—	—	—	—	94	94
Dividends	—	—	—	—	(1,390)	(1,390)	(220)	(1,610)
Repayment of capital contribution to a non-controlling equity holder	—	—	—	—	—	—	(17)	(17)
Total transactions with owners for the period	16,720	15,287	(16,713)	275	(1,665)	13,904	(143)	13,761
As at 30 June 2014	16,973	15,287	—	8,008	23,801	64,069	7,949	72,018

Note: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total
	Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2013	249	15,907	8,038	21,348	45,542	8,140	53,682
COMPREHENSIVE INCOME							
Profit for the period	—	—	—	1,935	1,935	419	2,354
Other comprehensive income/(expense)							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	648	—	648	69	717
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	—	—	(376)	—	(376)	—	(376)
Share of reserves of associates and a joint venture	—	—	8	—	8	—	8
Total other comprehensive income for the period, net of tax	—	—	280	—	280	69	349
Total comprehensive income for the period	—	—	280	1,935	2,215	488	2,703
TRANSACTIONS WITH OWNERS							
Issue of shares on exercise of share options, net of share issue expenses	—	13	—	—	13	—	13
Transfer to reserves	—	—	17	(17)	—	—	—
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	—	—	(1,226)	—	(1,226)	(750)	(1,976)
Capital contribution to a subsidiary	—	—	—	—	—	25	25
Dividends	—	—	—	(1,196)	(1,196)	(208)	(1,404)
Repayment of capital contribution to a non-controlling equity holder	—	—	—	—	—	(17)	(17)
Total transactions with owners for the period	—	13	(1,209)	(1,213)	(2,409)	(950)	(3,359)
As at 30 June 2013	249	15,920	7,109	22,070	45,348	7,678	53,026

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Unaudited 2014 HK$'million	2013 HK$'million
Net cash generated from operating activities	**1,723**	1,741
Cash flows from investing activities		
Purchase of property, plant and equipment, land use rights and port operating rights	**(1,112)**	(1,383)
Investments in associates, joint ventures and an available-for-sale financial asset	**(607)**	(5,509)
(Increase)/decrease in short-term time deposits	**(6,700)**	1,282
Other investing cash flows	**224**	20
Net cash used in investing activities	**(8,195)**	(5,590)
Cash flows from financing activities		
Issue of mandatory convertible securities, net of issue expenses	**15,287**	—
Other financing cash flows	**(3,034)**	4,933
Net cash generated from financing activities	**12,253**	4,933
Net increase in cash and cash equivalents	**5,781**	1,084
Cash and cash equivalents at 1 January	**3,205**	2,806
Effect of foreign exchange rate changes	**(13)**	27
Cash and cash equivalents at 30 June	**8,973**	3,917

Notes to the Condensed Consolidated Interim Financial Information

1. General Information

China Merchants Holdings (International) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group") are principally engaged in ports operation, bonded logistics and cold chain operations and property investment.

The Company is a limited liability company incorporated in Hong Kong and has its shares listed on The Stock Exchange of Hong Kong Limited (the "HKSE"). The address of its registered office is 38/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue on 28 August 2014 but has not been audited.

2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2014 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") and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Principal Accounting Policies

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared on the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described therein.

3. Principal Accounting Policies (Continued)

Adoption of new and revised HKFRSs effective during the period

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2013.

5. Financial Risk Management

(i) Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

There have been no significant changes in the risk management since last financial year end or in any risk management policies.

5. Financial Risk Management (Continued)

(ii) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

(a) Fair value of financial instruments that are measured at fair value on a recurring basis

The following tables present the Group's assets that are measured at fair value at 30 June 2014 and 31 December 2013:

	30 June 2014			
	Level 1 HK$'million	**Level 2 HK$'million**	**Level 3 HK$'million**	**Total HK$'million**
Financial assets				
Financial asset at fair value through profit or loss	—	—	**592**	**592**
Available-for-sale financial assets				
– listed equity investments	**1,675**	—	—	**1,675**
– unlisted equity investments	—	—	**825**	**825**
	1,675	—	**1,417**	**3,092**

5. Financial Risk Management (Continued)

(ii) Fair value estimation (Continued)

(a) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

	31 December 2013			
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
Financial asset at fair value				
through profit or loss	—	—	558	558
Available-for-sale financial assets				
– listed equity investments	1,817	—	—	1,817
– unlisted equity investments	—	—	706	706
	1,817	—	1,264	3,081

Set out below is the information about how the fair values of the above financial instruments are determined, including the valuation techniques and inputs used:

Financial assets at fair value through profit or loss represents preference shares issued by a privately held company incorporated in the United States. The valuation methodologies adopted is the Guideline Publicly Traded Company (the "GPTC") method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries and an expected time for the issuer to complete an initial public offering. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the financial assets at fair value through profit or loss would not be significant to the Group's results.

The fair value of the listed equity instruments that are accounted for as available-for-sale financial assets is valued based on the quoted prices in active markets for the identical assets directly.

The fair value of the unlisted equity instruments that are accounted for as available-for-sale financial assets is also valued based on the GPTC method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. If any of the significant unobservable input above was 5% higher/lower while all the other variables were held constant, the changes in fair value of the unlisted equity instruments would not be significant to the Group's results.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the period.

5. Financial Risk Management (Continued)

(ii) Fair value estimation (Continued)

(a) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

The following tables present the changes in level 3 instruments for the six months ended 30 June 2014 and 2013:

	Financial asset at fair value through profit or loss HK$'million	Available-for-sale financial assets HK$'million	Total HK$'million
For the six months ended 30 June 2014			
As at 1 January 2014	**558**	**706**	**1,264**
Exchange adjustments	—	**(5)**	**(5)**
Acquisition of financial instruments	—	**156**	**156**
Unrealised fair value loss recognised in other comprehensive income (included in other reserves)	—	**(32)**	**(32)**
Unrealised fair value gain recognised in condensed consolidated statement of profit or loss (included in other gains, net)	**34**	—	**34**
As at 30 June 2014	**592**	**825**	**1,417**
For the six months ended 30 June 2013			
As at 1 January 2013	369	237	606
Unrealised fair value loss recognised in other comprehensive income (included in other reserves)	—	(46)	(46)
Unrealised fair value gain recognised in condensed consolidated statement profit or loss (included in other gains, net)	70	—	70
As at 30 June 2013	439	191	630

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

6. Revenue

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations, port-related manufacturing operation and property investment. The following is an analysis of the Group's revenue from its major services offered during the period.

	Six months ended 30 June	
	2014	2013
	HK$'million	HK$'million
Ports service, transportation income, container service and container yard management income	**3,561**	3,394
Logistics services income (including rental income)	**341**	331
Gross rental income from investment properties	**22**	20
	3,924	3,745

7. 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 the Group's business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation is further evaluated on a geographic basis as set out below:

  (a) Mainland China, Hong Kong and Taiwan

  - Pearl River Delta excluding Hong Kong ("PRD excluding HK")
  - Hong Kong
  - Yangtze River Delta
  - Others

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

(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 and joint ventures.

7. Segment Information (Continued)

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

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 2014 and 2013 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 2014 and 2013.

As at 30 June 2014, 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 2014 HK$'million	31 December 2013 HK$'million
Mainland China, Hong Kong and Taiwan	**65,136**	65,509
Other locations	**16,436**	15,236
	81,572	80,745

7. Segment Information (Continued)

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 2014									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
REVENUE										
Company and subsidiaries	3,035	93	—	330	103	3,561	341	—	22	3,924
Share of associates	100	498	4,217	—	660	5,475	77	10,240	825	16,617
Share of joint ventures	4	9	173	1,046	—	1,232	3	—	—	1,235
Total segment revenue	3,139	600	4,390	1,376	763	10,268	421	10,240	847	21,776

	For the six months ended 30 June 2013									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'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

7. Segment Information (Continued)

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 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Operating profit/(loss)	1,229	19	61	132	(38)	1,403	80	–	38	(92)	(54)	1,429
Share of profits less losses of												
– Associates	32	82	906	–	323	1,343	20	332	66	–	66	1,761
– Joint ventures	–	–	54	142	–	196	(3)	–	–	–	–	193
	1,261	101	1,021	274	285	2,942	97	332	104	(92)	12	3,383
Finance costs, net	(38)	–	–	(26)	(9)	(73)	(12)	–	–	(432)	(432)	(517)
Taxation	(213)	(3)	(90)	(25)	(9)	(340)	(23)	(15)	(4)	(4)	(8)	(386)
Profit/(loss) for the period	1,010	98	931	223	267	2,529	62	317	100	(528)	(428)	2,480
Non-controlling interests	(308)	–	–	(22)	(14)	(344)	13	–	–	–	–	(331)
Profit/(loss) attributable to equity holders of the Company	702	98	931	201	253	2,185	75	317	100	(528)	(428)	2,149
Other information:												
Depreciation and amortisation	453	5	–	62	35	555	72	–	–	3	3	630
Capital expenditure	177	3	–	40	1,307	1,527	67	–	–	1	1	1,595

7. Segment Information (Continued)

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 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'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

7. Segment Information (Continued)

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 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'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)	25,537	213	2,559	3,978	10,838	43,125	4,494	231	1,952	11,799	13,751	61,601
Interests in associates	1,369	1,585	15,713	–	6,536	25,203	435	7,204	3,066	–	3,066	35,908
Interests in joint ventures	3	6	947	5,318	–	6,274	4	–	–	–	–	6,278
Total segment assets	26,909	1,804	19,219	9,296	17,374	74,602	4,933	7,435	5,018	11,799	16,817	103,787
Non-current assets held for sale	–	–	–	58	–	58	256	–	–	–	–	314
	26,909	1,804	19,219	9,354	17,374	74,660	5,189	7,435	5,018	11,799	16,817	104,101
Deferred tax assets												108
Total assets												104,209
LIABILITIES												
Segment liabilities	(4,593)	(32)	–	(1,580)	(6,131)	(12,336)	(1,085)	–	(8)	(16,525)	(16,533)	(29,954)
Taxation payable												(288)
Deferred tax liabilities												(1,949)
Total liabilities												(32,191)

7. Segment Information (Continued)

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

	As at 31 December 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'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)	25,087	198	1,810	3,702	8,943	39,740	4,512	–	1,749	809	2,558	46,810
Interests in associates	1,369	1,635	15,850	–	6,545	25,399	454	7,181	3,179	–	3,179	36,213
Interests in joint ventures	3	6	901	4,819	–	5,729	–	–	–	–	–	5,729
Total segment assets	26,459	1,839	18,561	8,521	15,488	70,868	4,966	7,181	4,928	809	5,737	88,752
Non-current assets held for sale	–	–	–	59	–	59	258	–	–	–	–	317
	26,459	1,839	18,561	8,580	15,488	70,927	5,224	7,181	4,928	809	5,737	89,069
Taxation recoverable												1
Deferred tax assets												121
Total assets												89,191
LIABILITIES												
Segment liabilities	(4,793)	(37)	–	(1,594)	(4,210)	(10,634)	(992)	–	(7)	(18,974)	(18,981)	(30,607)
Taxation payable												(209)
Deferred tax liabilities												(1,949)
Total liabilities												(32,765)

8. Other Gains, Net and Other Income

	Six months ended 30 June 2014 HK$'million	2013 HK$'million
Other gains, net		
Increase in fair value of investment properties	**19**	62
Increase in fair value of financial asset at fair value through profit or loss	**34**	70
Gain on disposal of property, plant and equipment	**28**	1
Net exchange (losses)/gains	**(28)**	72
	53	205
Other income		
Dividend income from available-for-sale financial assets		
– listed equity investments	**61**	63
– an unlisted equity investment	**16**	15
Dividend income from financial asset at fair value through profit or loss	**12**	10
Others	**29**	9
	118	97

9. Finance Income and Costs

	Six months ended 30 June 2014 HK$'million	2013 HK$'million
Finance income from:		
Interest income from bank deposits	**41**	25
Others	**5**	8
	46	33
Interest expense on:		
Bank borrowings		
– wholly repayable within five years	**(67)**	(105)
– not wholly repayable within five years	**(72)**	(15)
Listed notes payable		
– wholly repayable within five years	**(162)**	(231)
– not wholly repayable within five years	**(100)**	(100)
Unlisted notes wholly repayable within five years	**(47)**	(17)
Loans from:		
– a non-controlling equity holder of a subsidiary	**(7)**	(5)
– shareholders	**(199)**	(80)
Others	**(5)**	(39)
Total borrowing costs incurred	**(659)**	(592)
Less: amount capitalised on qualifying assets (Note)	**96**	94
Finance costs	**(563)**	(498)
Finance costs, net	**(517)**	(465)

Note: Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 4.73% per annum (2013: 4.68% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

10. Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2013: 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 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 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 the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2014	2013
	HK$'million	HK$'million
Current taxation		
Hong Kong Profits Tax	**5**	1
PRC corporate income tax	**201**	235
PRC withholding income tax	**123**	109
Overseas withholding income tax	**12**	5
Deferred taxation	**45**	32
	386	382

11. Profit for the Period

	Six months ended 30 June	
	2014	2013
	HK$'million	HK$'million
Profit for the period has been arrived at after charging:		
Cost of inventories	**17**	18
Staff costs (including Directors' and chief executive's emoluments)	**689**	594
Depreciation of property, plant and equipment	**529**	479
Amortisation of intangible assets and land use rights	**101**	109
Operating lease rentals in respect of		
– land and buildings	**145**	110
– plant and machinery	**15**	18

12. Dividend

	Six months ended 30 June	
	2014	2013
	HK$'million	HK$'million
Interim dividend of 22 HK cents (2013: 22 HK cents) per share	**560**	555

At a meeting held on 28 August 2014, the Board of Directors 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 2014.

The amount of interim dividend for 2014 was based on 2,546,717,460 (2013: 2,522,677,151) shares in issue as at 28 August 2014.

13. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June 2014	2013
Basic		
Profit attributable to equity holders of the Company (HK$' million)	**2,149**	1,935
Weighted average number of ordinary shares in issue (Note (a))	**2,574,669,596**	2,491,802,610
Basic earnings per share (HK cents)	**83.46**	77.67
Diluted		
Profit attributable to equity holders of the Company (HK$' million)	**2,149**	1,935
Weighted average number of ordinary shares in issue (Note (a))	**2,574,669,596**	2,491,802,610
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	**2,388,429**	3,633,182
Weighted average number of ordinary shares for diluted earnings per share	**2,577,058,025**	2,495,435,792
Diluted earnings per share (HK cents)	**83.38**	77.56

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the period and (ii) the ordinary shares that will be issued upon conversion of the Mandatory Convertible Securities ("MCS" and details set out in note 18) from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represents the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options. Calculation 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) is 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.

14. Goodwill, Intangible Assets, Property, Plant and Equipment, Investment Properties and Land Use Rights

	Goodwill HK$'million	Intangible assets HK$'million	Property, plant and equipment HK$'million	Investment properties HK$'million	Land use rights HK$'million
Six months ended 30 June 2014					
Net book value as at 1 January 2014	**3,318**	**5,274**	**19,034**	**1,839**	**7,967**
Exchange adjustments	**(8)**	**(54)**	**(131)**	**(3)**	**(64)**
Additions	—	**507**	**776**	—	—
Increase in fair value	—	—	—	**19**	—
Disposals	—	—	**(129)**	—	—
Transfers	—	—	—	—	**96**
Depreciation and amortisation	—	**(7)**	**(529)**	—	**(94)**
Net book value as at 30 June 2014	**3,310**	**5,720**	**19,021**	**1,855**	**7,905**
Six months ended 30 June 2013					
Net book value as at 1 January 2013	3,293	4,796	16,863	1,534	7,946
Exchange adjustments	14	(239)	406	4	116
Additions	—	—	1,192	133	257
Increase in fair value	—	—	—	62	—
Disposals	—	—	(1)	—	—
Transfers	—	—	727	96	27
Depreciation and amortisation	—	(4)	(479)	—	(105)
Net book value as at 30 June 2013	3,307	4,553	18,708	1,829	8,241

15. Interests in Associates

For the six months ended 30 June 2013

(a) Acquisition of an associate for development of seaports and terminals and port related business in East Africa

On 29 December 2012, a wholly-owned subsidiary of the Company entered into a share purchase agreement with, among others, Djibouti Ports & Free Zones Authority, to acquire 23.5% of the issued share capital in Port de Djibouti S.A. ("PDSA"), at a cash consideration of US$185 million (equivalent to HK$1,435 million). The pre-closing reorganisation had been completed during the period ended 30 June 2013. PDSA owns various levels of equity interests in entities engaging in planning, development, construction and operation of seaports and terminals and port related business in the City of Djibouti in Djibouti.

This transaction had been completed during the period ended 30 June 2013 and the Group's investment in PDSA is accounted for as an interest in an associate as the Directors of the Company consider the Group has significant influence over the investee.

(b) Acquisition of an associate interested in geographically-diversified container and bulk cargo terminals

On 25 January 2013, the Company and a wholly-owned subsidiary of the Company entered into a share purchase agreement with, among others, CMA Terminals Holding SAS ("CMATH"), to acquire 49% of the issued share capital in Terminal Link SAS ("Terminal Link"), a company organised under the laws of France, at an aggregate cash consideration of EUR400 million (equivalent to HK$4,121 million) before any pricing adjustments, if applicable, pursuant to the share purchase agreement. The pre-closing reorganisation had been completed during the period ended 30 June 2013 and Terminal Link owns certain equity interests in various container and bulk cargo terminals located in Europe, Mediterranean Basin, Africa, America and Asia. Pursuant to the share purchase agreement, CMATH shall indemnify the Group for each of the seven years ending on 31 December 2019 in the event that the dividends it receives from Terminal Link do not achieve an agreed percentage of the Group's investment in Terminal Link.

This transaction had been completed during the period ended 30 June 2013 and the Group's investment in Terminal Link is accounted for as an interest in an associate as the Directors of the Company consider the Group has significant influence over the investee.

16. Debtors, Deposits and Prepayments

	30 June 2014 HK$'million	31 December 2013 HK$'million
Trade debtors, net (Note (a))	**1,171**	895
Amount due from an intermediate holding company (Note (b))	**4**	—
Amounts due from fellow subsidiaries (Note (b))	**56**	8
Amounts due from associates (Note (b))	**121**	129
Amounts due from joint ventures (Note (b))	**1**	—
Dividend receivables	**1,634**	294
Other debtors, deposits and prepayments	**347**	301
	3,334	1,627

Notes:

(a) Bill receivables of HK$28 million (31 December 2013: HK$13 million) are included in trade debtors as at 30 June 2014.

The Group has a credit policy of allowing an average credit period of 90 days (2013: 90 days) to its trade customers. The ageing analysis of the trade debtors, net of provision for impairment of trade debtors, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30 June 2014 HK$'million	31 December 2013 HK$'million
Not yet due	**485**	287
Days overdue		
– 1 – 90 days	**605**	508
– 91 – 180 days	**48**	78
– 181 – 365 days	**18**	16
– Over 365 days	**15**	6
	1,171	895

(b) The amounts are unsecured, interest free and repayable on demand in accordance with the relevant agreements, as appropriate.

17. Share Capital

	Number of shares		Share capital	
	Six month ended 30 June		Six month ended 30 June	
	2014	2013	**2014** HK$'million	2013 HK$'million
Authorised (Note (a))**:**				
As at 1 January	**5,000,000,000**	5,000,000,000	**500**	500
As at 30 June	**N/A**	5,000,000,000	**N/A**	500
Issued and fully paid:				
As at 1 January	**2,526,690,412**	2,491,423,388	**253**	249
Transfer from share premium and capital redemption reserve (included in other reserves) upon abolition of par value (Note (a))	**—**	—	**16,720**	—
Issue of shares on exercise of share options (Note (b))	**314,000**	550,000	**—**	—
As at 30 June	**2,527,004,412**	2,491,973,388	**16,973**	249

Notes:

(a) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014. Share premium and capital redemption reserve of an aggregate amount of HK$16,720 million became part of the Company's share capital since then. The Company's ordinary shares had par value of HK$0.1 each before commencement of the new Hong Kong Companies Ordinance.

(b) During the period, 314,000 (2013: 550,000) shares were issued upon exercise of share options, with net proceeds of HK$7 million (2013: HK$13 million).

The weighted average share price at the time of exercise was HK$27.29 (2013: HK$26.85) per share. The related transaction costs have been deducted from the proceeds received.

(c) During the period from 1 July 2014 to the date of approval of this condensed consolidated interim financial information, 19,713,048 (2013: 30,703,763) ordinary shares were issued (i) to satisfy the payment of the 2013 final dividend of HK$451 million (2013: 2012 final dividend of HK$718 million), (ii) upon the conversion of MCS and (iii) upon exercise of share options.

17. Share Capital (Continued)

Notes: (Continued)

(d) Share options

The existing share option scheme was approved by the shareholders of the Company and adopted on 9 December 2011. No share options have been granted during any of the six-month period ended 30 June 2013 or 2014.

Movements in the number of share options under the share option scheme outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June			
	2014		2013	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at 1 January	**22.72**	**22,461,000**	22.08	25,997,000
Exercised	**23.03**	**(314,000)**	23.03	(550,000)
As at 30 June	**22.72**	**22,147,000**	22.05	25,447,000

All share options are exercisable as at 30 June 2014 and 31 December 2013. Share options outstanding as at 30 June 2014 and 31 December 2013 have the following expiry dates and exercise prices:

		Number of share options	
Year of expiry	**Exercise price HK$**	**30 June 2014**	31 December 2013
2014	11.08	**554,000**	554,000
2016	23.03	**21,443,000**	21,757,000
2016	20.91	**150,000**	150,000
		22,147,000	22,461,000

18. Mandatory Convertible Securities

MCS are equity instruments issued by the Company at the subscription price of HK$30.26 per unit, representing a direct, unsecured and subordinated obligation of the Company. The MCS entitle the holders to receive fixed coupons semi-annually at the rates of 8%, 6% and 4% per annum in the first, second and third year, respectively, from the MCS issuance. The Company may at its discretion elect to defer or cancel any scheduled distributions. Any deferred or cancelled distributions are non-cumulative and do not bear any interests. However, if the Company determines to do so but declares, makes or pays any dividends to the ordinary shareholders, the MCS holders should be notified, and the MCS shall be converted into ordinary shares of the Company at the initial conversion price. Any deferred but unpaid distributions prior to the accelerated conversion date and any scheduled future distributions after the accelerated conversion date (taking into account their net present value) shall be paid immediately to the MCS holders by cash.

Holders of MCS have the rights to convert any of their MCS into ordinary shares of the Company, at the conversion rate of one unit of MCS to one ordinary share of the Company (subject to certain anti-dilution adjustments), at any time prior to the mandatory conversion date, being the third anniversary following the date of issuance of the MCS, at the initial conversion price of HK$30.26 per ordinary share.

18. Mandatory Convertible Securities (Continued)

The MCS may be assigned or transferred by its holders without restriction but will not be listed on the HKSE or any other stock exchanges. The MCS are not entitled to dividends declared and paid by the Company to its ordinary shareholders and do not carry any voting rights of the Company.

On 6 June 2014, the open offer of the MCS, which was on the basis of one unit of MCS for every five ordinary shares held, became unconditional. A total of 505,400,882 units of MCS were issued, equivalent to 505,400,882 ordinary shares of the Company in issue when converted. An aggregate of 502,676,197 units (including those units taken up under underwriting arrangements) were issued to China Merchants Group Limited ("CMG"), regarded as being the ultimate holding company of the Company, and its associates (as defined under the Rules Governing the Listing of Securities on the HKSE, including China Merchants Union (BVI) Limited ("CMU"), a company held as to 50% by CMG). The net proceeds received by the Group amounted to HK$15,287 million.

During the six months ended 30 June 2014, no MCS have been converted to ordinary shares of the Company and no distribution has been declared/paid to the holders of the MCS.

19. Loans from Shareholders

	Loans from a shareholder (Note (a))		**Loans from an intermediate holding company**		**Loans from the ultimate holding company**		**Total**	
	30 June 2014 HK$'million	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million
The loans are repayable as follows:								
Within 1 year	—	—	**820**	—	**112**	78	**932**	78
Between 1 and 2 years	—	—	—	637	—	—	—	637
Between 2 and 5 years	**4,124**	8,053	**126**	—	**1,310**	1,323	**5,560**	9,376
	4,124	8,053	**946**	637	**1,422**	1,401	**6,492**	10,091
Less: amounts due within one year included under current liabilities	—	—	**(820)**	—	**(112)**	(78)	**(932)**	(78)
Non-current portion	**4,124**	8,053	**126**	637	**1,310**	1,323	**5,560**	10,013
The loans are denominated in the following currencies:								
Renminbi	—	—	**946**	637	**1,422**	1,401	**2,368**	2,038
Euro	**4,124**	4,176	—	—	—	—	**4,124**	4,176
United States Dollar	—	3,877	—	—	—	—	—	3,877
	4,124	8,053	**946**	637	**1,422**	1,401	**6,492**	10,091
Interest rates per annum	**3.80%**	3.80%	**3% - 4.35%**	4.35%	**4.65% - 5.20%**	4.65% - 5.20%		

Notes:

(a) The amounts represent loans from CMU, a company held as to 50% by CMG.

(b) All of the loans from a shareholder (CMU), an intermediate holding company and the ultimate holding company are interest bearing at the interest rates as set out above and unsecured.

20. Other Financial Liabilities

	30 June 2014 HK$'million	31 December 2013 HK$'million
Bank loans		
Unsecured short-term bank loans	**1,234**	1,568
Long-term bank loans, wholly repayable within five years		
– unsecured	**1,472**	1,352
– secured (Note (a))	**23**	25
Secured long-term bank loans, not wholly repayable within five years (Note (a))	**3,882**	2,499
	6,611	5,444
Loans from a non-controlling equity holder of a subsidiary (Note (c))	**358**	292
Notes payable (Note (d))		
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	**3,874**	3,873
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,538**	1,537
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,822**	3,821
– RMB500 million, 4.6% unlisted notes matured in 2014	—	636
– RMB400 million, 5% unlisted notes maturing in 2015	**503**	—
– RMB500 million, 5.28% unlisted notes maturing in 2017	**627**	633
– RMB500 million, 5.6% unlisted notes maturing in 2018	**626**	631
	10,990	11,131
Total	**17,959**	16,867
Less: amounts due within one year included under current liabilities	**(5,787)**	(2,339)
Non-current portion	**12,172**	14,528

Notes:

(a) As at 30 June 2014 and 31 December 2013, the following assets are pledged against the Group's secured bank loans:

	30 June 2014 HK$'million	31 December 2013 HK$'million
Property, plant and equipment	**32**	34
Land use rights	**7**	7
	39	41

In addition to the above, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary as at 30 June 2014 and 31 December 2013 are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

20. Other Financial Liabilities (Continued)

Notes: (Continued)

(b) Listed notes issued by subsidiaries of the Company of HK$9,234 million (31 December 2013: HK$9,231 million) are secured by corporate guarantees provided by the Company.

(c) The amounts are unsecured, interest-bearing at 4.65% (31 December 2013: 4.65%) per annum and no balance is required to be repaid within twelve months from the end of the reporting period. Accordingly, the entire balances are classified as non-current.

(d) All of the note payables are issued by subsidiaries of the Company. The effective interest rates are as follows:

	30 June 2014	31 December 2013
US$500 million, 5.375% guaranteed listed notes maturing in 2015	**5.47%**	5.47%
US$200 million, 7.125% guaranteed listed notes maturing in 2018	**7.36%**	7.36%
US$500 million, 5% guaranteed listed notes maturing in 2022	**5.22%**	5.22%
RMB500 million, 4.6% unlisted notes matured in 2014	**N/A**	4.90%
RMB400 million, 5% unlisted notes maturing in 2015	**5.30%**	N/A
RMB500 million, 5.28% unlisted notes maturing in 2017	**5.63%**	5.63%
RMB500 million, 5.6% unlisted notes maturing in 2018	**5.95%**	5.95%

(e) As at 30 June 2014, the Group has undrawn bank loan facilities amounting to HK$12,622 million (31 December 2013: HK$11,947 million), of which HK$10,452 million (31 December 2013: HK$10,833 million) and HK$2,170 million (31 December 2013: HK$1,114 million) are committed and uncommitted credit facilities respectively.

(f) The other financial liabilities as at 30 June 2014 and 31 December 2013 are repayable as follows:

	Bank loans		**Listed notes payable**		**Unlisted notes payable**		**Loans from a non-controlling equity holder of a subsidiary**		**Total**	
	30 June 2014 HK$'million	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million	**30 June 2014 HK$'million**	31 December 2013 HK$'million
Within 1 year	**1,410**	1,703	**3,874**	—	**503**	636	**—**	—	**5,787**	2,339
Between 1 and 2 years	**1,185**	244	**—**	3,873	**—**	—	**—**	—	**1,185**	4,117
Between 2 and 5 years	**1,138**	1,777	**1,538**	1,537	**1,253**	1,264	**—**	—	**3,929**	4,578
Within 5 years	**3,733**	3,724	**5,412**	5,410	**1,756**	1,900	**—**	—	**10,901**	11,034
More than 5 years	**2,878**	1,720	**3,822**	3,821	**—**	—	**358**	292	**7,058**	5,833
	6,611	5,444	**9,234**	9,231	**1,756**	1,900	**358**	292	**17,959**	16,867

(g) The effective interest rates of bank loans at the end of the reporting period are as follows:

	30 June 2014	31 December 2013
Hong Kong dollar	**1.33% to 4.25%**	1.34% to 4.89%
Renminbi	**6.00% to 6.72%**	5.70% to 6.72%
Euro	**3.72% to 5.46%**	3.72% to 5.46%
United States dollar	**2.22% to 3.83%**	3.84%

21. Creditors and Accruals

	30 June 2014 HK$'million	31 December 2013 HK$'million
Trade creditors (Note (a))	**234**	334
Amount due to an intermediate holding company (Note (b))	**8**	5
Amounts due to fellow subsidiaries (Note (b))	**49**	57
Interest payable to a shareholder (Note (c))	**13**	43
Dividend payable to equity holders of the Company	**1,390**	—
Other payables and accruals	**2,273**	1,687
	3,967	2,126

Notes:

(a) The ageing analysis of the trade creditors is as follows:

	30 June 2014 HK$'million	31 December 2013 HK$'million
Not yet due	**160**	155
Days overdue		
– 1 – 90 days	**23**	102
– 91 – 180 days	**6**	6
– 181 – 365 days	**3**	8
– Over 365 days	**42**	63
	234	334

(b) The amounts are unsecured, interest free and repayable on demand.

(c) The amount is unsecured, interest free and repayable in accordance with the relevant loan agreement.

22. Commitments and Contingent Liabilities

(a) Capital commitments for property, plant and equipment, intangible assets and land use rights

	30 June 2014 HK$'million	31 December 2013 HK$'million
Group:		
Authorised but not contracted		
– Property, plant and equipment and intangible assets	**1,359**	1,113
Contracted but not provided for		
– Property, plant and equipment and intangible assets	**3,592**	3,982
– Land use rights	**240**	242
	3,832	4,224
	5,191	5,337
Joint ventures:		
Authorised but not contracted		
– Property, plant and equipment	**710**	16
– Land use rights	**119**	—
	829	16
Contracted but not provided for		
– Property, plant and equipment	**659**	544
	1,488	560
	6,679	5,897

(b) Capital commitments for investments

	30 June 2014 HK$'million	31 December 2013 HK$'million
Group:		
Contracted but not provided for ports projects	**666**	1,180
Joint venture:		
Authorised but not contracted		
– Investment in a joint venture	**9**	—
	675	1,180

22. Commitments and Contingent Liabilities (Continued)

(c) Contingent liabilities

As at 30 June 2014, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate in the aggregate amount of HK$232 million (31 December 2013: HK$246 million). A counter indemnity in favour of this other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify this other shareholder 49% of the liabilities arising from the above loan facilities and other obligations.

The directors assessed the risk of default of the associate is serving the aforesaid loan facilities and other obligations at the end of the reporting period and considered the risk to be insignificant and it is not likely that any guaranteed amount will be claimed by this other shareholder.

23. Material Changes in Ownership Interests in Subsidiaries Without Change of Control

For the six months ended 30 June 2013

In April 2013, the Group completed the acquisition of 25% equity interest in Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan") for a consideration of RMB1,787 million (equivalent to HK$2,212 million) from 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"). Upon the completion of the transaction, the beneficial interest of the Group (excluding those held through China Nanshan and its subsidiary) in Shenzhen Chiwan increased from 9% to 34% and the total ownership interests in Shenzhen Chiwan increased from approximately 30% to 46%. An amount of HK$750 million, being the proportionate share of the carrying amount of the net asset of Shenzhen Chiwan as at the date of completion, has been adjusted from the non-controlling interests. The net difference recognised by the Group between (i) the fair value of consideration paid by the Group and (ii) the aggregate of the decrease in non-controlling interest and the associated liabilities recognised by the Group in relation to the effective interest in Shenzhen Chiwan acquired, is recognised in other reserves.

24. Material Related Party Balances and Transactions

The Directors regard CMG, a state-owned enterprise registered in the PRC and is controlled by the PRC government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the period and balances arising from related transactions as at 30 June 2014 are as follows:

(a) Balances and transactions with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group")

	Note	**Six months ended 30 June** **2014** **HK$'million**	2013 HK$'million
Rental income from	(i)		
– an intermediate holding company		**22**	14
– fellow subsidiaries		**3**	7
– associates		**9**	—
Rental expenses paid to	(i)		
– an intermediate holding company		**1**	—
– fellow subsidiaries		**62**	58
– associates		**39**	25
Service income from	(ii)		
– fellow subsidiaries		**14**	16
– joint ventures		**63**	63
Service fee paid to	(iii)		
– fellow subsidiaries		**23**	13
– joint ventures		**8**	4
– an associate		**1**	—
Interest expenses and upfront fees paid to	(iv)		
– the ultimate holding company		**35**	26
– an intermediate holding company		**17**	13
– a shareholder		**147**	41

24. Material Related Party Balances and Transactions (Continued)

(a) Balances and transactions with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (Continued)

Notes:

(i) The Group rented certain vessels and properties from and leased office premises to the CMG Group. Rental income or expenses were charged at a fixed amount per month in accordance with respective tenancy agreements.

(ii) The ports and logistics service fees were charged with reference to market rates.

(iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management and paint shipping services to the Group. The service fees were charged with reference to market rates.

(iv) Interest expenses were charged at interest rate as specified in note 19 to the condensed consolidated interim financial information on the outstanding amounts due to the ultimate and intermediate holding companies and a shareholder.

(v) During the period, a wholly-owned subsidiary of the Group entered into a compensation agreement with a fellow subsidiary, pursuant to which the Group will demolish and relocate certain properties erected on the land to be returned to the fellow subsidiary for an aggregate amount of RMB112 million. The amount received during the period ended 30 June 2014 amounted to RMB78 million (equivalent to HK$98 million).

(vi) During the period, a wholly-owned subsidiary of the Group transferred certain assets to a joint venture at a consideration of HK$50 million (six months ended 30 June 2013: nil).

(vii) As at 30 June 2014, the Group placed deposits of HK$6,946 million (31 December 2013: HK$777 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the period, interest income from CMB amounted to HK$20 million (six months ended 30 June 2013: HK$17 million).

During the period ended 30 June 2013, interest expenses paid and payable to CMB amounted to HK$2 million.

(viii) During the period ended 30 June 2013, the Group sold inventories to a joint venture amounting to HK$14 million.

(ix) During the period ended 30 June 2013, a wholly-owned subsidiary of the Group completed the acquisition of certain property interests, accounted for as property, plant and equipment and investment properties, located in Shenzhen, the PRC, from a fellow subsidiary, at a consideration of HK$578 million.

The balances with entities within CMG Group as at 30 June 2014 are disclosed in notes 16,19 and 21 to this condensed consolidated interim financial information.

(b) Transactions with other PRC state-controlled entities

The Group has transactions with other PRC state-controlled entities including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings.

24. Material Related Party Balances and Transactions (Continued)

(c) Balance and transaction with a non-controlling equity holder of a subsidiary:

	Six months ended 30 June	
	2014	2013
	HK$'million	HK$'million
Interest expense paid (Note)	**7**	5

Note: Interest expense was charged at interest rate as specified in note 20 to the condensed consolidated interim financial information on the outstanding loans from a non-controlling equity holder of a subsidiary.

The balances with a non-controlling equity holder of a subsidiary as at 30 June 2014 and 31 December 2013 are disclosed in note 20 to the condensed consolidated interim financial information.

(d) Key management compensation

	Six months ended 30 June	
	2014	2013
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**12**	12

CHINA MERCHANTS HOLDINGS
(INTERNATIONAL) COMPANY LIMITED

38/F, China Merchants Tower
Shun Tak Centre, 168 - 200 Connaught Road Central
Hong Kong
Tel: (852) 2102 8888
Fax: (852) 2851 2173
E-mail: relation@cmhk.com

招商局國際有限公司

香港干諾道中168-200號
信德中心招商局大廈38樓
電話：（852）2102 8888
傳真：（852）2851 2173
電郵： relation@cmhk.com

www.cmhi.com.hk