招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

- Throughput of containers handled reached 46.07 million TEUs, up 11.1% (2015: 41.47 million TEUs)
- Throughput of bulk cargoes handled reached 218 million tonnes, up 24.9% (2015: 174 million tonnes)
- Profit attributable to equity holders of the Company:
  - √ HK$1,690 million, down 39.2% (2015: HK$2,781 million)
  - √ HK$2,067 million, down 14.3%, from ports operation (2015: HK$2,413 million)
- Recurrent profit attributable to equity holders of the Company:
  - √ HK$1,655 million, down 32.9% (2015: HK$2,466 million)
  - √ HK$2,032 million, down 7.7%, from ports operation (2015: HK$2,201 million)
- Basic earnings per share totaled 54.49 HK cents, down 39.8% (2015: 90.54 HK cents)
- Interim dividend of 22 HK cents per share (2015: 22 HK cents per share)

2016 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited 2016 *HK$'million*	2015 *HK$'million*
Revenue	2	3,847	4,080
Cost of sales		(2,206)	(2,210)
Gross profit		1,641	1,870
Other gains, net	4	9	346
Other income	4	150	142
Administrative expenses		(460)	(464)
Operating profit		1,340	1,894
Finance income	5	28	102
Finance costs	5	(445)	(399)
Finance costs, net	5	(417)	(297)
Share of profits less losses of			
Associates		1,267	1,782
Joint ventures		156	135
		1,423	1,917
Profit before taxation		2,346	3,514
Taxation	6	(356)	(361)
Profit for the period	7	1,990	3,153
Attributable to:			
Equity holders of the Company		1,690	2,781
Non-controlling interests		300	372
Profit for the period		1,990	3,153
Dividend	8	575	569
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		54.49	90.54
Diluted (HK cents)		54.49	90.41

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited	
	2016	**2015**
	HK$'million	*HK$'million*
Profit for the period	1,990	3,153
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	(973)	(501)
Release of reserves upon disposal of a subsidiary	—	(35)
(Decrease)/increase in fair value of available-for-sale financial assets, net of deferred taxation	(1,593)	2,923
Share of investment revaluation reserve of associates	(24)	54
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	21	49
Total other comprehensive (expense)/income for the period, net of tax	(2,569)	2,490
Total comprehensive (expense)/income for the period	(579)	5,643
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(769)	5,357
Non-controlling interests	190	286
	(579)	5,643

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	**Unaudited 30 June 2016** *HK$'million*	**Audited 31 December 2015** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		2,964	2,973
Intangible assets		5,703	5,660
Property, plant and equipment		19,206	19,570
Investment properties		3,933	287
Land use rights		7,688	7,545
Interests in associates		42,694	37,953
Interests in joint ventures		9,129	9,041
Other financial assets		4,103	5,883
Other non-current assets		461	1,110
Deferred tax assets		37	41
		95,918	90,063
Current assets			
Inventories		79	77
Debtors, deposits and prepayments	10	3,677	1,916
Cash and bank balances		5,263	10,293
		9,019	12,286
Total assets		104,937	102,349

	Note	Unaudited 30 June 2016 HK$'million	Audited 31 December 2015 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		18,996	18,994
Mandatory convertible securities		15,224	15,224
Reserves		31,404	33,181
Proposed dividend	8	575	1,429
		66,199	68,828
Non-controlling interests		7,929	7,821
Total equity		74,128	76,649
LIABILITIES			
Non-current liabilities			
Loans from shareholders		293	664
Other financial liabilities		17,632	16,681
Other non-current liabilities		1,235	1,234
Deferred tax liabilities		2,162	2,333
		21,322	20,912
Current liabilities			
Creditors and accruals	11	4,300	2,582
Loans from shareholders		744	311
Other financial liabilities		3,874	1,489
Taxation payable		569	406
		9,487	4,788
Total liabilities		30,809	25,700
Total equity and liabilities		104,937	102,349
Net current (liabilities)/assets		(468)	7,498
Total assets less current liabilities		95,450	97,561

NOTES:

1 **Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 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 consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2015 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**") is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

During the period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA. The adoption of those amendments to HKFRSs has had no material effect on the amounts reported in or disclosures set out in this condensed consolidated interim financial information.

2 **Revenue**

The principal activities of the Group comprise ports operation, bonded logistics 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	
	2016	**2015**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	3,646	3,873
Logistics services income	201	186
Gross rental income from investment properties	—	21
	3,847	4,080

3 **Segment information**

The key management team of the Company is regarded as the chief operating 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 for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments 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.

Following the disposal of Smart Ally Holdings Limited and its subsidiaries during the period ended 30 June 2015, the Group ceased its cold chain operation and thereafter the segment information reported to the CODM in respect of bonded logistics and cold chain operations comprises only the bonded logistics operation which includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(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.

Each of the segment under ports operation includes the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations includes a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

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

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 2016 and 2015.

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		**Non-current assets**	
	Six months ended 30 June		**30 June**	**31 December**
	2016	**2015**	**2016**	**2015**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	3,270	3,616	72,297	64,852
Other locations	577	464	19,481	19,287
	3,847	4,080	91,778	84,139

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:

REVENUE

	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
For the six months ended 30 June 2016										
Company and subsidiaries	2,742	96	—	231	577	3,646	201	—	—	3,847
Share of associates	118	332	4,511	1,417	621	6,999	134	6,599	2,235	15,967
Share of joint ventures	3	5	181	1,064	145	1,398	—	—	—	1,398
Total segment revenue	2,863	433	4,692	2,712	1,343	12,043	335	6,599	2,235	21,212
For the six months ended 30 June 2015										
Company and subsidiaries	2,985	122	—	302	464	3,873	186	—	21	4,080
Share of associates	109	428	4,481	—	582	5,600	85	10,347	965	16,997
Share of joint ventures	6	8	203	1,056	—	1,273	3	—	—	1,276
Total segment revenue	3,100	558	4,684	1,358	1,046	10,746	274	10,347	986	22,353

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 2016											
	Ports operation						Bonded logistics operation	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	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,094	4	41	82	172	1,393	87	–	(5)	(135)	(140)	1,340
Share of profits less losses of												
– Associates	53	40	856	48	295	1,292	3	(121)	93	–	93	1,267
– Joint ventures	(2)	–	54	91	13	156	–	–	–	–	–	156
	1,145	44	951	221	480	2,841	90	(121)	88	(135)	(47)	2,763
Finance costs, net	(21)	–	–	(15)	(95)	(131)	(12)	–	–	(274)	(274)	(417)
Taxation	(240)	(1)	(85)	(13)	(5)	(344)	(15)	11	(6)	(2)	(8)	(356)
Profit/(loss) for the period	884	43	866	193	380	2,366	63	(110)	82	(411)	(329)	1,990
Non-controlling interests	(288)	–	–	(8)	(3)	(299)	(1)	–	–	–	–	(300)
Profit/(loss) attributable to equity holders of the Company	596	43	866	185	377	2,067	62	(110)	82	(411)	(329)	1,690
Other information:												
Depreciation and amortisation	418	6	–	58	187	669	47	–	–	5	5	721
Capital expenditure	286	5	–	40	217	548	43	–	3,081	291	3,372	3,963

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 2015											
	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	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,223	20	259	155	161	1,818	120	48	23	(115)	(92)	1,894
Share of profits less losses of												
– Associates	35	53	942	–	264	1,294	15	483	(10)	–	(10)	1,782
– Joint ventures	–	–	71	65	–	136	(1)	–	–	–	–	135
	1,258	73	1,272	220	425	3,248	134	531	13	(115)	(102)	3,811
Finance costs, net	(42)	–	–	(28)	(68)	(138)	(12)	–	–	(147)	(147)	(297)
Taxation	(207)	(3)	(94)	(20)	(3)	(327)	(11)	(22)	1	(2)	(1)	(361)
Profit/(loss) for the period	1,009	70	1,178	172	354	2,783	111	509	14	(264)	(250)	3,153
Non-controlling interests	(317)	–	–	(19)	(34)	(370)	(2)	–	–	–	–	(372)
Profit/(loss) attributable to equity holders of the Company	692	70	1,178	153	320	2,413	109	509	14	(264)	(250)	2,781
Other information:												
Depreciation and amortisation	433	5	–	61	122	621	48	–	–	5	5	674
Capital expenditure	73	11	–	46	437	567	18	–	–	1	1	586

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 2016											
	Ports operation						Bonded logistics operation	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	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	22,841	231	4,381	4,012	11,230	42,695	2,925	237	4,023	3,197	7,220	53,077
Interests in associates	1,097	1,628	17,929	4,303	5,910	30,867	377	7,743	3,707	–	3,707	42,694
Interests in joint ventures	47	7	931	5,137	3,007	9,129	–	–	–	–	–	9,129
Total segment assets	23,985	1,866	23,241	13,452	20,147	82,691	3,302	7,980	7,730	3,197	10,927	104,900
Deferred tax assets												37
Total assets												104,937
LIABILITIES												
Segment liabilities	(3,725)	(32)	–	(1,468)	(6,737)	(11,962)	(851)	–	(1,523)	(13,742)	(15,265)	(28,078)
Taxation payable												(569)
Deferred tax liabilities												(2,162)
Total liabilities												(30,809)

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

	As at 31 December 2015											
	Ports operation – Mainland China, Hong Kong and Taiwan – PRD excluding HK	Ports operation – Mainland China, Hong Kong and Taiwan – Hong Kong	Ports operation – Mainland China, Hong Kong and Taiwan – Yangtze River Delta	Ports operation – Mainland China, Hong Kong and Taiwan – Others	Ports operation – Other locations	Ports operation – Sub-total	Bonded logistics operation	Port-related manufacturing operation	Other operations – Other investments	Other operations – Corporate function	Other operations – Sub-total	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	23,185	237	5,144	3,943	11,018	43,527	2,760	34	838	8,155	8,993	55,314
Interests in associates	1,224	1,715	17,441	1	5,829	26,210	390	7,713	3,640	—	3,640	37,953
Interests in joint ventures	3	7	894	5,146	2,991	9,041	—	—	—	—	—	9,041
Total segment assets	24,412	1,959	23,479	9,090	19,838	78,778	3,150	7,747	4,478	8,155	12,633	102,308
Deferred tax assets												41
Total assets												102,349
LIABILITIES												
Segment liabilities	(3,319)	(42)	—	(1,421)	(6,452)	(11,234)	(684)	—	—	(11,043)	(11,043)	(22,961)
Taxation payable												(406)
Deferred tax liabilities												(2,333)
Total liabilities												(25,700)

4 Other gains, net and other income

	Six months ended 30 June	
	2016	**2015**
	HK$'million	*HK$'million*
Other gains, net		
Increase in fair value of investment properties	47	3
Gain on disposal of property, plant and equipment	1	26
Net exchange (losses)/gains	(44)	3
Gain on disposal of a subsidiary	—	52
Gain on deemed disposal of interests in associates	—	260
Others	5	2
	9	346
Other income		
Dividend income from available-for-sale financial assets	109	115
Others	41	27
	150	142

5 **Finance income and costs**

	Six months ended 30 June	
	2016	**2015**
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	25	99
Others	3	3
	28	102
Interest expense on:		
Bank loans	(120)	(122)
Listed notes payable	(278)	(197)
Unlisted notes payable	(25)	(45)
Loans from		
– a non-controlling equity holder of a subsidiary	(9)	(8)
– shareholders	(23)	(56)
Others	(14)	(9)
Total borrowing costs incurred	(469)	(437)
Less: amount capitalised on qualifying assets (Note)	24	38
Finance costs	(445)	(399)
Finance costs, net	(417)	(297)

Note:

Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 4.53% per annum (2015: 4.34% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2015: 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. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. 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 according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

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. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

The amount of taxation charged/(credited) to the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016	**2015**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	1	5
PRC corporate income tax	221	183
PRC withholding income tax	158	147
Overseas withholding income tax	15	9
Deferred taxation	(39)	17
	356	361

7 Profit for the period

	Six months ended 30 June 2016	2015
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' and chief executive's emoluments)	743	752
Depreciation of property, plant and equipment	558	547
Amortisation of intangible assets and land use rights	163	127
Operating lease rentals in respect of		
– land and buildings	121	120
– plant and machinery	12	30

8 Dividend

	Six months ended 30 June 2016	2015
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2015: 22 HK cents) per ordinary share	575	569

At a meeting held on 31 August 2016, the Board proposed an interim dividend of 22 HK cents per ordinary 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 2016.

The amount of interim dividend for 2016 was based on 2,615,711,778 (2015: 2,586,926,079) shares in issue as at 31 August 2016.

9 **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 2016	2015
Basic		
Profit attributable to equity holders of the Company (HK$' million)	1,690	2,781
Weighted average number of ordinary shares in issue (Note (a))	3,102,288,692	3,071,440,422
Basic earnings per share (HK cents)	54.49	90.54
Diluted		
Profit attributable to equity holders of the Company (HK$' million)	1,690	2,781
Weighted average number of ordinary shares in issue (Note (a))	3,102,288,692	3,071,440,422
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	1,013	4,469,901
Weighted average number of ordinary shares for diluted earnings per share	3,102,289,705	3,075,910,323
Diluted earnings per share (HK cents)	54.49	90.41

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**") 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 except for those with exercise price higher than the average market price of the Company's shares for the period. 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.

10 **Debtors, deposits and prepayments**

Debtors, deposits and prepayments balance includes trade debtors of HK$1,057 million (31 December 2015: HK$917 million).

The Group has a credit policy of allowing an average credit period of 90 days (2015: 90 days) to its trade customers. The ageing analysis of the trade debtors, based on the invoice date, net of provision for impairment of trade debtors is as follows:

	30 June 2016 *HK$'million*	**31 December 2015** *HK$'million*
Not yet due	506	458
Days overdue		
– 1 - 90 days	448	334
– 91 - 180 days	80	108
– 181 - 365 days	18	13
– Over 365 days	5	4
	1,057	917

11 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$285 million (31 December 2015: HK$271 million). The ageing analysis of the trade creditors is as follows:

	30 June 2016 *HK$'million*	**31 December 2015** *HK$'million*
Not yet due	182	160
Days overdue		
– 1 - 90 days	55	70
– 91 - 180 days	11	5
– 181 - 365 days	5	2
– Over 365 days	32	34
	285	271

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

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$575 million for the six months ended 30 June 2016 (representing a dividend payout of 34.0%) 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 (2015: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 16 November 2016 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 3 October 2016 (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 6 October 2016. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 16 November 2016.

CLOSURE OF REGISTER

The Register of Members will be closed from 24 September 2016 to 3 October 2016 (both days inclusive), during which no transfer of shares of the Company 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 23 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

On 10 August 2016, the Company officially changed its name to "China Merchants Port Holdings Company Limited 招商局港口控股有限公司", so as to better reflect the current strategy of the Company to focus on ports and port-related businesses and provide a clearer identification and corporate image for the Company.

General overview

In the first half of 2016, the global economy continued to recover, but was still in a period of deep adjustment with a slow and fragile progress. Developed economies were recovering at a milder pace than expected. In particular, the US economy recorded a mild growth with strengthening US dollar; the economic growth in Euro zone was adversely affected by the weak investment appetite and high unemployment rate; and the decline in private consumption has resulted in lower-than-expected economic growth and inflation rate in Japan. Despite varying national circumstances, the growth of emerging markets and developing economies were better than expectation in general, continuing to be the major drivers for global economic recovery. The Chinese government carried out supply-side reform, steering the Chinese economy towards a more sustainable growth model, and its economic activities were slightly stronger than expected in the past six months. India, which experienced strong growth, was the highlight of emerging markets. The ASEAN-5 economies, including Indonesia, Malaysia, the Philippines, Thailand and Vietnam, were performing well, while other countries (such as Mexico) managed to sustain economic growth. The economic prospects of the large emerging economies (such as Brazil and Russia) have improved.

However, the result of the referendum in the United Kingdom was out of expectation of the global financial market and exposed significant potential risks to the global economy. The International Monetary Fund ("**IMF**") indicated that downside risks to the global economy has been rising substantially, including volatility in financial markets, low oil price which hurts oil-exporting countries, as well as many risks of non-economic origin, such as geopolitical conflicts, political discord, terrorism, refugee flows and the "Brexit". In its "World Economic Outlook" report published on 19 July 2016, IMF revised downward its projections for 2016's global economic growth to 3.1%, same as that of 2015; within which developed economies were expected to grow by 1.8%, down 0.1 percentage point from 2015; while emerging markets and developing economies were expected to grow by 4.1%, up 0.1 percentage point as compared to that of 2015.

Against the backdrop of global economic slowdown, the Chinese economy has maintained its growing momentum in overall steadiness, which continued to provide strong support to the slowly growing global economy. In the first half of the year, China delivered a GDP growth of 6.7% year-on-year, with its total import and export value amounted to US$1,712.7 billion, representing a year-on-year decrease of 8.7%, which was a narrowed decrease as compared to that of the first quarter. Total export value was US$985.5 billion, indicating a decrease of 7.7% year-on-year, which has been narrowed by 1.9 percentage points as compared to that of the first quarter, while total import value was US$727.2 billion, representing a decrease of 10.2% year-on-year, which has been narrowed by 3.3 percentage points from that of the first quarter.

In tandem with the global economy and the new norm of Chinese economy, the global ports growth continued its softening trend. According to the data published by the Ministry of Transport of China, the container throughput handled by Chinese ports of significant scale totalled 105 million TEUs during the first half of 2016, representing a year-on-year increase of 2.5% but was down by 3.6 percentage points as compared to the growth rate for the same period last year, of which 94.27 million TEUs were handled by coastal ports, representing a year-on-year increase of 2.4% but was down by 3.2 percentage points as compared to the growth rate for the same period last year.

During the period under review, the Group's ports handled a total container throughput of 46.07 million TEUs (2015: 41.47 million TEUs), grew by 11.1% as compared with the same period last year. Bulk cargo volume handled by the Group's ports was 218 million tonnes (2015: 174 million tonnes), a year-on-year increase of 24.9%. As affected by the sluggish shipping market, China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, recorded a significant decrease in its container sales. During the first half of the year, sales of dry cargo containers and reefers recorded 0.26 million TEUs, a year-on-year decrease of 68.3%.

During the six months ended 30 June 2016, profit attributable to equity holders of the Company amounted to HK$1,690 million, representing a decrease of 39.2% over the same period last year. Of this amount, recurrent profit [Note 1] was HK$1,655 million, down by 32.9% as compared to the same period last year. EBITDA [Note 2] of the Group's core ports operation amounted to HK$5,397 million, down by 0.4% year-on-year, accounting for 84.4% of the Group's total.

Business review

Ports operation

In the first half of the year, the Group's ports handled a total container throughput of 46.07 million TEUs, up by 11.1% year-on-year, among which the Group's ports in Mainland China delivered container throughput of 34.48 million TEUs, or an increase of 13.2% year-on-year, which was mainly driven by the additional contribution from a new acquisition investment of Dalian Port (PDA) Company Limited ("**Dalian Port**") earlier this year, thereby enabling the Group to sustain its leading position among China port operators. The Group's operations in Hong Kong and Taiwan delivered an aggregate container throughput of 3.09 million TEUs, a growth of 1.9% over the same period last year. Benefited from the rapid growth of the ports operations of Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka and the added contribution from Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi ("**Kumport**") in Turkey, of which the acquisition was completed by the end of 2015, total container throughput handled by the Group's overseas ports grew by 6.6% year-on-year to 8.50 million TEUs. Total bulk cargo volume handled by the Group's ports increased by 24.9% year-on-year to 218 million tonnes, within which ports in Mainland China handled bulk cargo volume of 214 million tonnes, an increase of 24.8% year-on-year. Port de Djibouti S.A. ("**PDSA**") in Djibouti delivered a bulk cargo volume of 3.19 million tonnes, or an increase of 32.5% as compared to the same period last year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a total container throughput of 5.32 million TEUs in the first half of the year, down by 1.4% year-on-year, of which international container throughput totalled 4.92 million TEUs, down slightly by 0.9% year-on-year, which was consistent with the decline of the overall Shenzhen port. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 0.66 million TEUs, up by 3.9% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 7.46 million tonnes, down by

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for first half of 2016, change in fair value of investment properties, net of tax; while for first half of 2015, gain on deemed disposal of interests in associates, gain on disposal of a subsidiary and change in fair value of investment properties.

Note 2 EBITDA refer to earnings before net interest expenses, taxation, depreciation and amortisation of the Company, its subsidiaries and its share in associates and joint ventures, but excluding unallocated income less expenses and profit attributable to non-controlling interests.

21.4% year-on-year, mainly due to the business transformation pursued by the Group in the Pearl River Delta region. Dongguan Machong Terminal, aided by the addition of new capacity, handled bulk cargo volume of 5.68 million tonnes during the period, an increase of 5.2% year-on-year.

<u>Xiamen Bay Economic Zone</u>

In the south-eastern coastal region, owing to the adjustment in container mix, container throughput handled by Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") during the first half of the year decreased by 15.3% year-on-year to 0.15 million TEUs. Due to the decrease in demand for timber in the hinterland, bulk cargo volume handled by ZCMP amounted to 5.06 million tonnes, down by 15.9% year-on-year.

<u>Yangtze River Delta region</u>

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a total container throughput of 17.89 million TEUs in the first half, down slightly by 0.8% year-on-year. Owing to a considerable decline in coal and ore volume as a result of the business transformation pursued by SIPG, bulk cargo volume during the first half of the year amounted to 69.55 million tonnes, representing a decrease of 9.2% year-on-year. As affected by the adjustment of certain shipping routes, Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a total container throughput of 1.26 million TEUs in the first half of the year, representing a decrease of 10.4% year-on-year.

<u>Bohai Rim region</u>

Qingdao Qianwan United Container Terminal Co., Ltd. handled a total container throughput of 3.28 million TEUs, representing an increase of 1.9% year-on-year. Qingdao Qianwan West Port United Container Terminal Co., Ltd. handled bulk cargo volume of 6.85 million tonnes, representing a decrease of 17.6% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd., handled bulk cargo volume of 29.97 million tonnes, or an increase of 19.0% year-on-year, with the addition of new capacity. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 1.26 million TEUs, down by 3.7% year-on-year. Dalian Port, of which the Group became a shareholder on 1 February this year, has been included in the calculation of the Group's throughput since February, and contributed a total container throughput of 4.36 million TEUs and bulk cargo volume of 46.15 million tonnes for the period from February to June.

<u>South-West region of China</u>

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.31 million TEUs, up by 4.4% year-on-year; and a total bulk cargo volume of 43.41 million tonnes, up by 7.1% year-on-year.

Hong Kong and Taiwan

The total container throughput handled by ports in Hong Kong during the first half this year dropped by 10.6% year-on-year, of which the container throughput handled by the ports in Kwai Tsing area decreased by 9.2% year-on-year. In the first half of the year, Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered a combined container throughput of 2.26 million TEUs, down slightly by 1.3% year-on-year, which outperformed the Hong Kong market. Benefited from the addition of new capacity, Kao Ming Container Terminal Corporation in Taiwan handled a total container throughput of 0.83 million TEUs, reflecting an increase of 11.3% year-on-year.

Overseas operation

During the first half of the year, total container throughput handled by the Group's overseas operations increased by 6.6% year-on-year to 8.50 million TEUs, amongst which container throughput handled by CICT in Sri Lanka rose significantly by 33.2% year-on-year to 0.92 million TEUs in the first half of the year. Container throughput handled by PDSA in Djibouti and Lomé Container Terminal S.A. in Togo were 0.50 million TEUs and 0.25 million TEUs, or an increase of 13.3% and 15.5% year-on-year respectively. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.20 million TEUs, a decrease of 10.8% year-on-year. Terminal Link SAS disposed its 35% equity interests in Zeebrugge Port in Belgium by the end of last year, and handled container throughput of 6.26 million TEUs in the first half of the year, representing a decrease of 2.1% year-on-year.

Strategic deployments in the ports operation

In the first half of the year, which was prevailed with adverse external operating environment, the Group pursued various developments by adhering to the operation philosophy of "seeking for changes while maintaining stability, seeking to promote innovation among changes, and seeking to progress on the back of innovation". The Group, on one hand, captured opportunities offered by the strategic initiatives promoted by China, intensively implemented its development strategies in both domestic and overseas markets, and achieved breakthroughs in the establishment of the homebase port, consolidation of ports in China and expansion of its global ports network; while on the other hand, leveraged on the core business in ports operation to explore the extension of the ports value chain through various means, such as utilising internet technology, promoting business innovation and cross-sector integration. The Group also exerted great efforts in building a comprehensive port ecosystem to seek for breakthroughs in business transformation and development.

Regarding the ongoing development of its West Shenzhen homebase port, the Group enhanced the overall competitiveness of the West Shenzhen Port Zone by actively promoting upgrade of hardware, resources consolidation and optimisation of its cargo collection-distribution system. For the upgrade of hardware, the tender for the phase II of Tonggu Channel widening project was completed in the first half of the year with support from the Shenzhen Government, which was expected to commence construction in the second half of the year. With respect to resources consolidation, four subsidiaries of the Group located in the West Shenzhen Port Zone, namely Shekou Container Terminals Limited, Chiwan

Container Terminal Co., Ltd., China Merchants Port Service (Shenzhen) Co., Ltd. and Shenzhen Haixing Harbor Development Co., Ltd., jointly entered into a strategic cooperation agreement. Pursuant to which, all parties aimed at enhancing the overall resources utilisation efficiency within the West Shenzhen Port Zone by leveraging on their respective advantages in resources and enhancing cooperation in aspects such as development of shipping routes, sharing of resources, staff training, thereby bringing mutual benefits to the parties involved. As for the cargo collection-distribution system, the cooperation between the West Shenzhen Port Zone and Sinotrans Guangdong Co., Ltd. realised the effective integration of logistics, shuttle-barge and port assets of both parties through coordination of assets, businesses and talents. The launching of a product called "one-stop service for transit at the Pearl River Delta", which provided customers with more convenient and comprehensive logistics services, was well-received by the market. The cooperation would enhance the attractiveness of the West Shenzhen Port Zone for cargo from the hinterland in the Pearl River Delta region.

As for overseas expansion, by seizing the development opportunities offered by the "One Belt, One Road" policy promoted by China, the Group actively analysed and captured investment opportunities in ports, logistics and relevant infrastructure along the route, so as to continuously optimise the Group's global port network. Meanwhile, considering the development potentials and advantages of different regions, the Group actively participated in the planning and construction of its ports and surrounding industrial zones, and explored a comprehensive port development model, which would lay a solid foundation for the deployment and establishment of "Checkpoints along the Maritime Silk Road".

As for the Group's strategies in the Chinese port market, capitalising on the opportunities of restructuring of regional ports in China, the Group, aiming towards cooperation and mutual benefit, proactively enhanced interaction with major port groups along coastal China with a view to identifying new investment and cooperation opportunities, so as to further improve its domestic port network and to achieve synergy.

With regards to innovative development, the Group proactively explored and promoted the establishment of a comprehensive port ecosystem with a foundation of port operations. It also enhanced the synergy and cooperation between involved parties in port business by utilising internet technology, and strengthened its ability in creating values for customers through innovation of business models and cross-sector integration, which would facilitate its business expansion towards middle and high end of the ports value chain, thereby realising the transformation from a terminal operator to a comprehensive port services provider. The Group's innovation projects achieved remarkable progress in the first half of the year. The overall planning and design of the "E-port" project in the West Shenzhen Port Zone has been completed and the construction would be carried out in three phases. As the unified platform for external information service in the West Shenzhen Port Zone, "E-port" will consolidate the existing information resources and services to enhance the informatization capability of trade clearance and cargo collection-distribution business in the West Shenzhen Port Zone. In addition, cross-border e-commerce B2B trading platforms for both import and export were launched, which were well-received by the market and resulted in significant increase in business volume. The spot trading volume of bulk trading platform project amounted to approximately 3 million tonnes in the first half of the year and gradually realised the benefits from economies of scale.

With regards to operational management, the Group integrated the application of its refined management information platform with strategic management, and preliminarily established a strategic closed-loop management system with key focuses on strategy formulation, target decomposition, strategy execution and performance assessment, which is of great significance for the Group's execution of strategies and enhancement of management quality. In the first half of the year, the refined management platform of the Group was awarded the Second Prize of the "22nd National Innovative Achievement in Modernised Management by China Corporations", reflecting the wide recognition by the industry.

Bonded logistics operation

During the first half of the year, the Group's bonded logistic business sustained good growth momentum, with remarkable results on innovations initiatives. Driven by the development of cross-border e-commerce business, China Merchants Bonded Logistics Co., Ltd., a subsidiary of the Group in Shenzhen, recorded an increase of 11 percentage points year-on-year in the warehouse rental rate to 85%. Leveraging on the opportunities arising from the inclusion of Qingdao City as one of the pilot cities under the comprehensive pilot zone for cross-border e-commerce, China Merchants International Terminal (Qingdao) Co., Ltd. conducted cross-border e-commerce business following a systematic action plan and took the lead to engage in the integrated business of bonded import and direct purchase within the province, which turned it into the core of the comprehensive pilot zone for cross-border e-commerce in Qingdao and provided a new driver for the improvement of the zone's operating efficiency. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Co. Ltd, an associate of the Group, recorded higher rental rates and grew steadily in operation with warehouse resources running almost at full capacity.

During the first half of 2016, the total cargo volume handled at the three major air cargo terminals in Hong Kong was 1.87 million tonnes, representing a decrease of 1.0% year-on-year. Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.29 million tonnes, representing an increase of 8.0% year-on-year with an increase of 1.3 percentage points in market share.

Port-related manufacturing operation

During the first half of the year, the shipping market remained subdued with the decrease in demand of purchase for containers due to deteriorating results of shipping companies. Meanwhile, given the continued weakening price of containers, the container sales business saw noticeable year-on-year decline and a substantial provision of approximately RMB1,210 million was made for, leading to the negative operating results of CIMC. During the first half of the year, CIMC recorded loss attributable to equity holders of RMB378 million, as compared with a profit of RMB1,518 million in the same period last year, down 124.9%, while its sales of dry cargo containers and reefers was down 68.3% year-on-year to 0.26 million TEUs during the first half of the year.

Financial review

For the six months ended 30 June 2016, revenue[Note3] from the Group's core ports operation increased by 12.1% year-on-year to HK$12,043 million, as a result of added contributions from overseas greenfield projects in ramp-up period and acquired new projects which overcame the decline seen in its bulk operation. Notwithstanding, the Group's revenue recorded HK$21,212 million, down 5.1% year-on-year as sluggish global trade weighed on the demand for CIMC's products. Profit attributable to equity holders of the Company amounted to HK$1,690 million, down 39.2% over the same period last year. Despite better-than-expected contributions from overseas greenfield projects and added contributions from new projects, the Group recorded recurrent profit of HK$1,655 million, representing a decline of 32.9% year-on-year, owing to the significant decline in the contribution from CIMC and the increase in interest cost.

EBITDA derived from the Group's core ports operation amounted to HK$5,397 million, or a year-on-year decrease of 0.4%, which contributed 84.4% of the Group's total EBITDA. Profit attributable to equity holders of the Company derived from the Group's port operation amounted to HK$2,067 million, representing a decrease of 14.3% over the same period last year.

As at 30 June 2016, total assets of the Group was HK$104,937 million, representing an increase of 2.5% as compared with a corresponding balance of HK$102,349 million as at 31 December 2015. Net assets attributable to equity holders of the Company was HK$66,199 million as at 30 June 2016, representing a decrease of 3.8% from that as at 31 December 2015, mainly resulted from a decrease in fair value of the Group's available-for-sales financial assets and exchange differences from retranslation of foreign investments.

In general, the Group's ports operation continued to yield stable cash inflow. However, due to the timing difference in dividend receipt from certain associates, whereby the distribution of dividend from an associated company, which was supposed to take place in the second half of 2014, was deferred to the first half of 2015, the Group's total net cash inflow from operating activities decreased by 23.1% year-on-year to HK$2,056 million for the six months ended 30 June 2016. As slightly higher capital expenditure on acquisitions was incurred, the Group has generated net cash outflow from investment activities of HK$8,523 million for the six months ended 30 June 2016, as opposed to an inflow of HK$441 million in the comparable period. The Group has generated net cash inflow from financing activities of HK$1,459 million during the six months ended 30 June 2016, comparing to an outflow of HK$4,933 million in the same period of the previous year.

Note 3 Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Corporate social responsibility

While striving to continuously improve its operating results and generate return 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 more sustainable direction.

During the first half of 2016, aiming to develop in a "greener, energy-saving and lower-carbon" way while fulfilling the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment" and by utilising "technological innovations" as a mean, the Group has continued its efforts in the building of green ports by facilitating the transformation of our ports, which enables them to become more environment-friendly and energy-conserving. Having become the only state-sponsored demonstration port zone of low-carbon green ports in South China, the Group's West Shenzhen Port Zone has been working actively to implement the pilot programs relating to the development of low-carbon green ports, focusing on 13 key projects in four major areas, including the transformation of infrastructure, upgrading of logistics equipment, optimisation of energy consumption pattern, and initiation of intelligent operations, with an aim to establish a new and modern container port zone that is green, efficient, eco-friendly and sustainable. During the period under review, West Shenzhen Port Zone became the only port in South China that was being awarded from China Ports Association with a 4-star rating as "China Green Port", which reflected the industry-wide recognition of the Group.

The Group is committed to integrating its corporate values into the community by taking active part in various community and charitable activities, with focuses on education, poverty alleviation, charitable activities and community services among many others to facilitate a harmonious environment and sustainable development of our society. During the first half of the year, CICT in Sri Lanka, a subsidiary of the Group, joined hands with China Merchants Charitable Foundation, to donate 5 million Rupees worth of supplies to victims of natural disasters in Sri Lanka.

Liquidity and treasury policies

As at 30 June 2016, the Group had approximately HK$5,263 million in cash, 17.2% of which was denominated in Hong Kong dollars, 41.5% in United States dollars, 40.6% in Renminbi and 0.7% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$2,056 million in total.

During the period under review, the Group incurred capital expenditure amounted to HK$3,963 million while the Group continued 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 loans, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 30 June 2016, the Company had 2,598,786,103 shares in issue. During the period, the Company issued 70,000 new shares upon the exercise of share options and received net proceeds of approximately HK$2 million as a result. Other than the above-mentioned newly issued shares, the Company issued 1,010 shares upon conversion of the Mandatory Convertible Securities. On 18 July 2016, the Company issued 16,925,675 shares under the Company's scrip dividend scheme.

As at 30 June 2016, the Group's net gearing ratio[Note 4] was approximately 23.3%.

The financial statements of the Group's foreign investments are in Renminbi, Euro or US dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in a reserve of the Group. The Group will keep monitoring market changes and explore on the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimize its overall exposure to maintain foreign exchange risk at a manageable level.

The Group had aggregate bank loans and listed notes payable of HK$15,837 million as at 30 June 2016 that contain customary cross default provisions.

As at 30 June 2016, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2016 *HK$'million*	**31 December 2015** *HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	2,212	713
Between 1 and 2 years	1,126	643
Between 2 and 5 years	2,140	1,401
More than 5 years	2,623	2,855
	8,101	5,612
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	1,662	179
Between 1 and 2 years	—	60
	1,662	239

Note 4 Net interest-bearing debts divided by total equity.

	30 June 2016	31 December 2015
	HK$'million	*HK$'million*
Fixed-rate listed notes payable which are repayable:		
In 2018	1,545	1,542
In 2020	1,544	1,541
In 2022	3,837	3,830
In 2025	3,855	3,851
	10,781	10,764
Fixed-rate unlisted notes payable which are repayable:		
In 2016	—	597
In 2018	583	594
	583	1,191
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	637	277
Between 1 and 2 years	—	358
	637	635
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	107	34
Between 1 and 2 years	234	67
Between 2 and 5 years	59	239
	400	340
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	379	364

Note: All bank loans are unsecured except for HK$4,390 million (31 December 2015: HK$4,375 million).

The interest bearing debts are denominated in the following currencies:

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
As at 30 June 2016							
HKD & USD	2,911	10,781	—	—	—	—	13,692
RMB	4,789	—	583	400	637	—	6,409
EURO	2,063	—	—	—	—	379	2,442
	9,763	10,781	583	400	637	379	22,543
As at 31 December 2015							
HKD & USD	2,827	10,764	—	—	—	—	13,591
RMB	973	—	1,191	340	635	—	3,139
EURO	2,051	—	—	—	—	364	2,415
	5,851	10,764	1,191	340	635	364	19,145

Assets charge

As at 30 June 2016, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK$4,390 million (31 December 2015: HK$4,375 million).

Employees and remuneration

As at 30 June 2016, the Group employed 5,783 full time staff, of which 186 worked in Hong Kong, 4,712 worked in Mainland China, and the remaining 885 worked overseas. The remuneration paid for the period amounted to HK$743 million, representing 27.9% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, the individual's 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 to the Company. 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.

The Group has at all times strived to maintain a good relationship with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Future prospects

Looking into the second half of the year, global economy will continue to undergo thorough adjustments whilst risks to global recession will remain in existence. The "Brexit" has added significant uncertainties to global recovery and is projected to take noticeable toll on investors' confidence. According to the latest report, IMF, on one hand, expects a worsening global outlook for 2016 and 2017, and on the other hand, compiles its latest forecasts in July base on a relatively optimistic sets of assumption which assumed limited impacts would be brought by the "Brexit", and from where global economy is expected to grow by 3.1% in 2016, while growth in world trade volume is expected to slow to 2.7% in the absence of material recovery.

Against the backdrop of persistently low oil prices and the slowing trend seen in the deployment of mega-vessel, operating pressures on ports and its associated cargo collection-distribution system, which are derived from the accommodation of mega-vessels, is expected to alleviate. In light of unfavourable global economic and trade environment, shipping industry will continue with the integration of resources, and competition among different alliances will become even more intense. The port industry is presented with further challenges and opportunities, with a concentrated market layout that is dominated by the three largest shipping alliances to be formed by 2017, namely 3M, OCEAN and THE Alliance, along with the extension of coverage from eastbound and westbound trade routes to southbound and northbound trade routes.

China's economy will sustain a steady pace of growth towards the second half of the year, with the annual GDP growth rate expected to exceed the target of 6.5%. The promotion of "One Belt, One Road" initiative and the deepening of collaboration over international production capacity will provide China with more leeway to explore on further cooperation over infrastructure build-ups internationally. During the first half of the year, China's export towards certain countries that are situated along "One Belt, One Road" surged, with export to Pakistan, Russia, Bangladesh, India and Egypt increased by 22.5%, 16.6%, 9.0%, 7.8% and 4.7% respectively. The Group sees ample opportunities and rooms for further development that are derived from "One Belt, One Road" strategy driven by the Chinese Government which has created impetus to foster the growth of global economy.

Considering the macroeconomic environment in China and overseas, the Group is of the view that, China's port industry will continue to grow, yet at a milder pace. It is expected that China's export in the second half of the year will be supported by a number of factors, including the facilitation of "One Belt, One Road" strategy and the cooperation over infrastructure build-ups under the concept of "China +", as well as the traditional peak season that takes place in the second half of the year. In addition, with support lend from the steady growth delivered by emerging economies such as South Asia and East Africa, the performance of the Group's ports operation in the second half is expected to be better than that of the first half of the year.

For the second half of 2016, guided by the already-established operation philosophies, the Group will continue to steadily expand its overseas operation, facilitate the integration of resources for assets in China, accelerate the transformation and upgrade of homebase port, intensify its efforts to refine its management system, as well as enhance the return of its existing assets. Meanwhile, the Group will also increase its efforts in promoting business innovation, and explore and nurture new business and profit growth, all in all with a view to adding new driving forces for sustaining the Group's future development.

With respect to business expansion, seeking to seize the opportunities offered by the "One Belt, One Road" initiative, the Group will continue to study and capture the investment opportunities in ports, logistics and relevant infrastructure in countries along the route, so as to strengthen its presence in overseas markets, with the goals of "solidify ports layout in Asia, improve ports network in Africa, expand footprint in Europe, and acquire new exposure in Americas". At the same time, the Group will seek to strengthen its domestic ports network layout through consolidation of port assets along coastal regions in China as opportunities arise. By fully leveraging on its expanding port network and by further synergising its overseas and domestic operations, the Group aims to forge a deeper working relationship with its existing customers through the provision of more comprehensive port service solutions.

Regarding the development of the homebase port, the Group will dedicate efforts to constantly enhance its overall competitiveness, by following the directives of "integrating resources, extending scope of services and transforming existing facilities". The Group seeks to capture available opportunities arising from the implementation of reforms and participate in the consolidation of domestic ports, with a view to enhancing synergy; extend the hinterland coverage of the homebase port by complementing the barge shuttle network and sea-rail inter transportations in the Pearl River Delta region, whilst innovating business models through working closely with Sinotrans & CSC Holdings Co., Ltd.; nurture new drivers for profitability, by leveraging on the advantages brought by the policies endowed to the Qianhai Free Trade Zone, by utilising the development of "E-port" as the means, to promote the transformation and upgrade of the homebase port, thereby provide wider ranges of value-added services to our customers, while at the same time, stemming from the core ports operation, to consistently improve the quality of comprehensive port services which is comprised of trading, customs clearance and port-related logistics operations.

As for innovation development, riding on the trend of the rapidly growing internet economy and leveraging on the global port network that extends from West Shenzhen homebase port, the Group will, by utilising "integration of internet technologies with existing operations" and "cooperation of different industry sectors" as means, promote the construction of a comprehensive port ecosystem that is stemmed from core ports operation. The Group will focus its efforts on building the subsystems, including the construction of smart ports, the development of integrated port-related logistics services, facilitation of trade finance, and comprehensive development model for ports operation, which facilitate innovative business transformation, thus creating impetus for the sustainable growth of the Group's business.

With regards to operational management, deeper application of the refined management information platform will be promoted, by means of, on one hand, linking the platform with the subsidiaries' operational management systems, hence elevating the quality of operational data analysis which helps enhancing assets' efficiency and effectiveness, and, on the other hand, integrating the platform with the safety and production, human resources, and risk management systems, enabling data sharing among platforms, thus enhancing management efficiency. At the same time, the Group's endeavour in establishing a corporate information database is also crucial in transforming corporate experience into knowledge capital.

Global economic environment will remain complex in 2016. The uncertainties over global economies and trade activities heightens, the profound adjustments prevails within China's economy, and the intense and dynamic competition persists within the industry, which means new opportunities and challenges to the Group's ports operation. The Group attempts to achieve breakthroughs among six major aspects including homebase port development, operational transformation, ports consolidation, business innovation, integration of industry with elements of finance, as well as the overseas expansion, through clearly visualising the prevailing conditions, endeavouring to steadily progress, navigating its business operations by following the already-established operational strategies, and capturing market development opportunities in China and aboard. As always, the Group will endeavour to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2016.

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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange (the "**Stock Exchange**") 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 requirements under the Companies Ordinance, the Securities and Futures Ordinance for, among other things, the disclosure of information, and 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 2016.

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 3 June 2016 to answer shareholders' questions.

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

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

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2016 interim report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By Order of the Board
China Merchants Port Holdings Company Limited
Li Xiaopeng
Chairman

Hong Kong, 31 August 2016

As at the date of this announcement, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Fu Gangfeng, Mr. Yu Liming, Mr. Wang Hong, Mr. Deng Renjie, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.