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

Stock Code 股份代號 : 00144

WE CONNECT THE WORLD

INTERIM REPORT 中期報告 2016

2016

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

Bohai Coastal Area
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Ports:
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Qingdao Qianwan United Container Terminal
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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
Dalian Port
大連港

Logistics:
China Merchants International Terminal (Qingdao)
招商局國際碼頭（青島）
Tianjin Haitian Bonded Logistics
天津海天保稅物流

Kaohsiung, Taiwan
台灣，高雄

Ports:
Kao Ming Container Terminal
高明貨櫃碼頭

Corporate Information

Board of Directors

Mr. Li Jianhong *(Chairman)*
(resigned on 18 February 2016)
Mr. Li Xiaopeng *(Chairman)*
(appointed as Chairman on 18 February 2016)
Mr. Hu Jianhua (*Vice Chairman*)
(appointed as Vice Chairman on 18 February 2016)
Mr. Su Xingang (resigned on 18 February 2016)
Mr. Fu Gangfeng
Mr. Yu Liming
Mr. Wang Hong
Mr. Deng Renjie
Mr. Bai Jingtao *(Managing Director)*
Mr. Wang Zhixian
(appointed on 18 February 2016)
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

Industrial and Commercial Bank of China
Bank of China
China Construction Bank
China Development Bank
China Merchants Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Auditor

Deloitte Touche Tohmatsu

Legal Adviser

Linklaters
Vincent T. K. Cheung, Yap & Co.

Stock Code

00144

Registrars

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Wan Chai
Hong Kong

Website

http://www.cmport.com.hk

Financial Highlights

	For the six months ended 30 June 2016 HK$'million	2015 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue[1]	**21,212**	22,353	(5.1%)
Profit attributable to equity holders of the Company	**1,690**	2,781	(39.2%)
Non-recurrent gains, net of tax[2]	**(35)**	(315)	(88.9%)
Recurrent profit	**1,655**	2,466	(32.9%)
Earnings per share (HK cents)			
Basic	**54.49**	90.54	(39.8%)
Diluted	**54.49**	90.41	(39.7%)
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	**2,056**	2,672	(23.1%)

	30 June 2016 HK$'million	31 December 2015 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	**104,937**	102,349	2.5%
Capital and reserves attributable to equity holders of the Company	**66,199**	68,828	(3.8%)
Net interest bearing debts[3]	**17,280**	8,852	95.2%

	For the six months ended 30 June		Year-on-year
	2016	2015	changes
	HK$'million	HK$'million	
Revenue[1]			
Ports operation	**12,043**	10,746	12.1%
Bonded logistics operation	**335**	274	22.3%
Port-related manufacturing operation	**6,599**	10,347	(36.2%)
Other operations	**2,235**	986	126.7%
Total	**21,212**	22,353	(5.1%)
EBITDA[4]			
Ports operation	**5,397**	5,420	(0.4%)
Bonded logistics operation	**153**	146	4.8%
Port-related manufacturing operation	**350**	1,033	(66.1%)
Other operations	**498**	202	146.5%
EBITDA	**6,398**	6,801	(5.9%)
Unallocated net (expenses)/income[6]	**(135)**	196	(168.9%)
Net interest expenses[5]	**(844)**	(699)	20.7%
Taxation[5]	**(1,050)**	(927)	13.3%
Depreciation and amortisation[5]	**(2,141)**	(1,950)	9.8%
Non-controlling interests[5]	**(538)**	(640)	(15.9%)
Profit attributable to equity holders of the Company	**1,690**	2,781	(39.2%)

1. Include revenue of the Company, its subsidiaries and share of revenue of its associates and joint ventures.
2. For 2016, include increase in fair value of investment properties, net of tax of HK$35 million. For 2015, include gain on deemed disposal of interests in associates of HK$260 million, gain on disposal of a subsidiary of HK$52 million and increase in fair value of investment properties of HK$3 million.
3. Interest bearing debts less cash and bank balances.
4. Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests ("Defined Earnings") of 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.
6. Include expenses for corporate function for both 2016 and 2015, and gain on deemed disposal of interests in associates and gain on disposal of a subsidiary in 2015.

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 prices 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 port operation 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 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.

Xiamen Bay Economic Zone

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.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for the first half of 2016, change in fair value of investment properties, net of tax; while for the 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 Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests ("Defined Earnings") of the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.

Yangtze River Delta region

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.

Bohai Rim region

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 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.

South-West region of China

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 Container Handling Zeebrugge 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 Services (Shenzhen) Company Limited 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 informatisation 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.

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

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.

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 US 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.

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

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
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 HK$' million	Listed notes payable HK$' million	Unlisted notes payable 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
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 enhance 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 heighten, the profound adjustments prevail 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.

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$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.

Directors' interests in securities

As at 30 June 2016, 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 2016
Mr. Yu Liming	Beneficial owner	Personal interest	425,737	—	0.0164%
Mr. Wang Hong	Beneficial owner	Personal interest	356,474	—	0.0137%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	179,455	—	0.0069%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,760,047	—	0.0677%
			2,721,713	—	0.1047%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2016, 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**").

According to the Terminated Scheme, the share options granted on 25 May 2006 has expired on 25 May 2016 (the "**Expired Date**").

Details of the share options outstanding as at 30 June 2016 which have been granted under i) the Terminated Scheme before lapsed and ii) the Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2016	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Other changes during the period[6]	Options held as at 30 June 2016
Directors								
Mr. Su Xingang[4]	25 May 2006	23.03	150,000	—	—	—	(150,000)	—
Mr. Fu Gangfeng	25 May 2006	23.03	280,000	—	—	(280,000)	—	—
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. Bai Jingtao	25 May 2006	23.03	180,000	—	—	(180,000)	—	—
Mr. Wang Zhixian[5]	25 May 2006	23.03	—	—	—	(200,000)	200,000	—
Mr. Zheng Shaoping	25 May 2006	23.03	300,000	—	—	(300,000)	—	—
			1,560,000	—	—	(1,610,000)	50,000	—
Continuous contract employees - The Group and the CMHK Group								
	25 May 2006	23.03	11,352,000	—	(70,000)	(11,232,000)	(50,000)	—
			12,912,000	—	(70,000)	(12,842,000)	—	—

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 prior to the Expired Date.

2. During the period, the weighted average closing market price per share immediately before the date on which the 70,000 share options were exercised was HK$24.14. And the closing market price per share on the trading day before the Expired Date of outstanding share options was HK$21.15.

3. No share options were granted under the Terminated Scheme and the Share Option Scheme during the period.

4. Mr. Su Xingang resigned as Executive Director on 18 February 2016 and remain as continuous contract employees of the CMHK Group. Upon his resignation, the 150,000 outstanding share options held by Mr. Su Xingang has been re-categorised under "Continuous contract employees".

5. Mr. Wang Zhixian was appointed as Executive Director on 18 February 2016 and held 200,000 outstanding share options at the time of his appointment.

6. Other changes during the period include the re-categorisation of share options from "Directors" to "Continuous contract employees" and vice versa following the resignation and appointment of certain directors as mentioned in notes 4 and 5 above.

7. Totalling of 12,842,000 outstanding share options held by all Eligible Persons of the Company lapsed under the Terminated Scheme on 25 May 2016.

Substantial shareholders

As at 30 June 2016, 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]	72.92%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,891,318,269[2]	72.78%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,891,318,269[2]	72.78%
China Merchants Union (BVI) Limited	Beneficial Owner	911,410,193[2]	35.07%
China Merchants Investment Development Company Limited	Beneficial Owner	715,398,622[2]	27.53%
Hoi Tung Marine Machinery Suppliers Limited (now known as "China Merchants Hoi Tung Trading Company Limited")	Interest of Controlled Corporation	243,360,576[2]	9.36%
Hoi Tung Investment (Yantai) Limited	Beneficial Owner	243,360,576[2]	9.36%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	914,134,878[4]	35.18%
Compass Investment Company Limited	Interest of Controlled Corporation	914,134,878[4]	35.18%
GUOXIN International Investment Corporation Limited (now known as "CNIC Corporation Limtied")	Interest of Controlled Corporation	911,410,193[5]	35.07%
Verise Holdings Company Limited	Interest of Controlled Corporation	911,410,193[5]	35.07%

Notes:

1. Each of China Merchants Steam Navigation Company Limited and China Merchants Shekou Industrial Zone Company Limited (now known as "China Merchants Shekou Industrial Zone Holdings Co., Ltd.") 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 requirements under the Companies Ordinance, the SFO for among other things, the disclosure of information, and the code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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.

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 risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2016 and the 2016 Interim Report.

Update on Director's Biographical Details

On 3 February 2016, Mr. Yu Liming ("Mr. Yu") has retired as the Executive Vice President of China Merchants Group Limited and was appointed as Chief Operating Officer of CNIC Corporation Limited (formerly known as "GUOXIN International Investment Corporation Limited") on the same day. And Mr. Yu has resigned as Director of China Merchants Holdings (Hong Kong) Company Limited on 21 June 2016.

With effect from 14 March 2016, Mr. Li Xiaopeng has been re-designated from Director of China Merchants Group Limited, the ultimate holding company of the Company to Vice Chairman of the said Company.

On 24 March 2016, Mr. Hu Jianhua has retired as Chairman of China Merchants Logistics Holding Co., Ltd. and was appointed as Chairman of China Nanshan Development (Group) Incorporation on 8 April 2016.

On 16 June 2016, Mr. Wang Hong has retired as Chairman of the Supervisory Committee of China Merchants Energy Shipping Co., Ltd., shares of which are listed on the Shanghai Stock Exchange.

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 Xiaopeng
Chairman

Hong Kong, 31 August 2016

Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2016

	Note	Unaudited 2016 HK$'million	 2015 HK$'million
Revenue	6	**3,847**	4,080
Cost of sales		**(2,206)**	(2,210)
Gross profit		**1,641**	1,870
Other gains, net	8	**9**	346
Other income	8	**150**	142
Administrative expenses		**(460)**	(464)
Operating profit		**1,340**	1,894
Finance income	9	**28**	102
Finance costs	9	**(445)**	(399)
Finance costs, net	9	**(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	10	**(356)**	(361)
Profit for the period	11	**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	12	**575**	569
Earnings per share for profit attributable to equity holders of the Company	13		
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	14	**2,964**	2,973
Intangible assets	14	**5,703**	5,660
Property, plant and equipment	14	**19,206**	19,570
Investment properties	14	**3,933**	287
Land use rights	14	**7,688**	7,545
Interests in associates	15	**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	16	**3,677**	1,916
Cash and bank balances		**5,263**	10,293
		9,019	12,286
Total assets		**104,937**	102,349

As at 30 June 2016

	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	17	**18,996**	18,994
Mandatory convertible securities	18	**15,224**	15,224
Reserves		**31,404**	33,181
Proposed dividend		**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	19	**293**	664
Other financial liabilities	20	**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	21	**4,300**	2,582
Loans from shareholders	19	**744**	311
Other financial liabilities	20	**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

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total
	Share capital HK$'million	Mandatory convertible securities HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2016	18,994	15,224	8,185	26,425	68,828	7,821	76,649
COMPREHENSIVE INCOME							
Profit for the period	—	—	—	1,690	1,690	300	1,990
Other comprehensive (expense)/income							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(863)	—	(863)	(110)	(973)
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	—	—	(1,593)	—	(1,593)	—	(1,593)
Share of reserves of associates	—	—	(3)	—	(3)	—	(3)
Total other comprehensive expense for the period, net of tax	—	—	(2,459)	—	(2,459)	(110)	(2,569)
Total comprehensive (expense)/income for the period	—	—	(2,459)	1,690	(769)	190	(579)
TRANSACTIONS WITH OWNERS							
Issue of shares on exercise of share options, net of share issue expenses	2	—	—	—	2	—	2
Transfer upon lapse of share options	—	—	(48)	48	—	—	—
Capital contribution to subsidiaries	—	—	19	—	19	92	111
Transfer to reserves	—	—	35	(30)	5	—	5
Dividends	—	—	—	(1,429)	(1,429)	(171)	(1,600)
Distribution to mandatory convertible securities holders	—	—	—	(457)	(457)	—	(457)
Repayment of capital contribution to a non-controlling equity holder	—	—	—	—	—	(3)	(3)
Total transactions with owners for the period	2	—	6	(1,868)	(1,860)	(82)	(1,942)
As at 30 June 2016	18,996	15,224	5,732	26,247	66,199	7,929	74,128

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2016

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total
	Share capital HK$'million	Mandatory convertible securities HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2015	17,918	15,280	9,373	24,859	67,430	7,716	75,146
COMPREHENSIVE INCOME							
Profit for the period	—	—	—	2,781	2,781	372	3,153
Other comprehensive income/(expense)							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(414)	—	(414)	(87)	(501)
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	2,922	—	2,922	1	2,923
Release of reserves upon disposal of a subsidiary (note 24)	—	—	(35)	—	(35)	—	(35)
Share of reserves of associates	—	—	103	—	103	—	103
Total other comprehensive income/(expense) for the period, net of tax	—	—	2,576	—	2,576	(86)	2,490
Total comprehensive income for the period	—	—	2,576	2,781	5,357	286	5,643
TRANSACTIONS WITH OWNERS							
Issue of shares on exercise of share options, net of share issue expenses	166	—	—	—	166	—	166
Issue of shares upon conversion of mandatory convertible securities	22	(22)	—	—	—	—	—
Transfer to reserves	—	—	19	(8)	11	—	11
Disposal of a subsidiary (note 24)	—	—	—	—	—	(221)	(221)
Disposal of interests in subsidiaries to a non-controlling equity holder without losing control therein	—	—	132	—	132	444	576
Dividends	—	—	—	(1,414)	(1,414)	(185)	(1,599)
Distribution to mandatory convertible securities holders	—	—	—	(611)	(611)	—	(611)
Repayment of capital contribution to a non-controlling equity holder	—	—	—	—	—	(9)	(9)
Total transactions with owners for the period	188	(22)	151	(2,033)	(1,716)	29	(1,687)
As at 30 June 2015	18,106	15,258	12,100	25,607	71,071	8,031	79,102

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2016

	Note	Unaudited 2016 HK$'million	2015 HK$'million
Net cash generated from operating activities		**2,056**	2,672
Cash flows from investing activities			
Purchase of property, plant and equipment and port operating rights		**(655)**	(803)
Proceeds from disposal of a subsidiary, net of cash and bank balances disposed of	24	**—**	737
(Advance to)/repayment from an associate		**(111)**	235
Investments in associates and a joint venture		**(5,959)**	—
Acquisition of assets through acquisition of a subsidiary (net of deposit previously paid and cash and cash equivalent acquired)	23	**(1,828)**	—
Other investing cash flows		**30**	272
Net cash (used in)/generated from investing activities		**(8,523)**	441
Net cash generated from/(used in) financing activities		**1,459**	(4,933)
Decrease in cash and cash equivalents		**(5,008)**	(1,820)
Cash and cash equivalents as at 1 January		**10,293**	9,501
Effect of foreign exchange rate changes		**(22)**	(9)
Cash and cash equivalents as at 30 June		**5,263**	7,672

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

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

Pursuant to the special resolutions passed at the annual general meeting of the Company held on 3 June 2016, the name of the Company was changed from China Merchants Holdings (International) Company Limited (招商局國際有限公司) to China Merchants Port Holdings Company Limited (招商局港口控股有限公司) with effect from 10 August 2016.

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 by the Board of Director on 31 August 2016 but has not been audited.

2. 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 ("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 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared on the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, 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 2015, as described therein.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The adoption of these amendments to 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 2015.

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 2015.

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

(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.

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

The following tables present the Group's assets that are measured at fair value at 30 June 2016 and 31 December 2015:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
As at 30 June 2016				
Financial assets				
Available-for-sale financial assets				
– listed equity investments	**3,532**	—	—	**3,532**
– unlisted equity investments	—	—	**571**	**571**
	3,532	—	**571**	**4,103**
As at 31 December 2015				
Financial assets				
Available-for-sale financial assets				
– listed equity investments	5,298	—	—	5,298
– unlisted equity investments	—	—	585	585
	5,298	—	585	5,883

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:

The fair value of the freely traded 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 of a listed entity that are accounted for as available-for-sale financial asset is valued based on the quoted price of the same listed entity in active market and adjusted for the factor of discount for lack of marketability.

The fair value of other unlisted equity instruments that are accounted for as available-for-sale financial assets is valued based on 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. 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.

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)

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.

The following tables present the changes in level 3 financial instruments for the six months ended 30 June 2016 and 2015:

	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 2016			
As at 1 January 2016	—	**585**	**585**
Exchange adjustments	—	**(7)**	**(7)**
Unrealised fair value loss recognised in other comprehensive income (included in other reserves)	—	**(7)**	**(7)**
As at 30 June 2016	—	**571**	**571**
For the six months ended 30 June 2015			
As at 1 January 2015	580	667	1,247
Exchange adjustments	—	2	2
Unrealised fair value gain recognised in other comprehensive income (included in other reserves)	—	45	45
Disposal of a subsidiary (note 24)	(580)	—	(580)
As at 30 June 2015	—	714	714

(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 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

7. 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

7. SEGMENT INFORMATION (Continued)

(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 ("SAH") and its subsidiaries during the period ended 30 June 2015 as described in note 24, 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

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:

	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

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 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 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)	1,094	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

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 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 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)	1,223	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

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 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 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)	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)

7. SEGMENT INFORMATION (Continued)

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

	As at 31 December 2015											
	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 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)	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)

8. 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 (note 24)	—	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

9. 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.

10. 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

11. 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

12. 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 of Directors 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.

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	
	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 share 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 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.

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 2016					
Net book value as at 1 January 2016	**2,973**	**5,660**	**19,570**	**287**	**7,545**
Exchange adjustments	**(9)**	**81**	**(288)**	**(99)**	**(156)**
Additions	—	**30**	**280**	—	**200**
Acquisition of assets through acquisition of a subsidiary (note 23)	—	—	**95**	**3,698**	**194**
Increase in fair value	—	—	—	**47**	—
Disposals	—	—	**(4)**	—	—
Transfers	—	—	**111**	—	—
Depreciation and amortisation	—	**(68)**	**(558)**	—	**(95)**
Net book value as at 30 June 2016	**2,964**	**5,703**	**19,206**	**3,933**	**7,688**
Six months ended 30 June 2015					
Net book value as at 1 January 2015	3,167	5,650	19,982	1,757	7,938
Exchange adjustments	—	(347)	(49)	—	1
Additions	—	331	248	2	—
Increase in fair value	—	—	—	3	—
Disposals	—	—	(101)	—	—
Disposal of a subsidiary (note 24)	(165)	—	(376)	—	(25)
Transfers	—	156	589	2	184
Depreciation and amortisation	—	(36)	(547)	—	(91)
Net book value as at 30 June 2015	3,002	5,754	19,746	1,764	8,007

15. INTEREST IN ASSOCIATES

For the six months ended 30 June 2016

Acquisition of an associate principally engaged in terminal and related logistic services

On 12 January 2016, the Company entered into a share purchase agreement with, among others, Dalian Port (PDA) Company Limited ("Dalian Port"), a joint stock limited company established in the PRC with limited liability, whose shares are listed on HKSE and the Shanghai Stock Exchange, pursuant to which Dalian Port agreed to allot and issue, and the Company agreed to subscribe for 1,180,320,000 shares of Dalian Port (the "Subscription Shares") for a total consideration of HK$4,332 million. The Subscription Shares represent approximately 21.05% of the issued share capital of Dalian Port as enlarged by the allotment and issuance of the Subscription Shares.

This transaction had been completed during the period and the Group's investment in Dalian Port is accounted for as an interest in an associate as the Directors consider the Group has significant influence over the investee.

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2016 HK$'million	31 December 2015 HK$'million
Trade debtors, net (Note (a))	**1,057**	917
Amounts due from fellow subsidiaries (Note (b))	**8**	15
Amounts due from associates (Note (c))	**406**	297
Amounts due from joint ventures (Note (b))	**2**	5
Dividend receivables	**1,876**	375
Other debtors, deposits and prepayments	**328**	307
	3,677	1,916

Notes:

(a) Bill receivables of HK$25 million (31 December 2015: HK$24 million) are included in trade debtors as at 30 June 2016.

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

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

(c) The amounts of HK$111 million (31 December 2015: nil) are unsecured, interest bearing at fixed rate of 9% per annum and repayable within twelve months from the end of the reporting period. The amounts of HK$140 million (31 December 2015: HK$143 million) are unsecured, interest-bearing at fixed rate of 1% (31 December 2015: 1%) per annum and repayable within twelve months from the end of the reporting period. The remaining balances are unsecured, interest free and repayable on demand.

17. SHARE CAPITAL

	Number of shares Six months ended 30 June		Share capital Six months ended 30 June	
	2016	2015	**2016**	2015
			HK$'million	HK$'million
Issued and fully paid:				
As at 1 January	**2,598,715,093**	2,562,648,140	**18,994**	17,918
Issue of shares on exercise of share options (Note (c))	**70,000**	7,221,000	**2**	166
Issue of shares on conversion of MCS (note 18)	**1,010**	744,404	**—**	22
As at 30 June	**2,598,786,103**	2,570,613,544	**18,996**	18,106

Notes:

(a) During the period, 70,000 (2015: 7,221,000) shares were issued upon exercise of share options, with net proceeds of HK$2 million (2015: HK$166 million).

The weighted average share price at the time of exercise was HK$23.61 (2015: HK$32.96) per share. The related transaction costs have been deducted from the proceeds received.

(b) During the period from 1 July 2016 to the date of approval of this condensed consolidated interim financial information, 16,925,675 ordinary shares were issued to satisfy the payment of the 2015 final dividend of HK$337 million (2015: 16,312,535 ordinary shares were issued (i) to satisfy the payment of 2014 final dividend of HK$542 million and (ii) upon the conversion of MCS).

(c) 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 2015 or 2016.

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			
	2016		2015	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at 1 January	**23.03**	**12,912,000**	23.01	20,383,000
Exercised	**23.03**	**(70,000)**	22.99	(7,221,000)
Expired	**23.03**	**(12,842,000)**	N/A	—
As at 30 June	**N/A**	**—**	23.03	13,162,000

Share options outstanding and exercisable as at 31 December 2015 had their expiry in 2016 and exercise price of HK$23.03 per share. No share options was outstanding as at 30 June 2016.

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. Subject to the discretion of the Company, the MCS entitles the holders to receive fixed coupons semiannually, before they are converted into ordinary shares of the Company, up to the mandatory conversion date, being the third anniversary following the date of issuance of the MCS. 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. 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.

During the six months ended 30 June 2016, 1,010 units (2015: 744,404 units) of MCS have been converted to ordinary shares of the Company and distribution amounted to HK$457 million (2015: HK$611 million) has been declared and paid to the holders of the MCS.

19. LOANS FROM SHAREHOLDERS

	Loans from an intermediate holding company		**Loans from the ultimate holding company**		**Total**	
	30 June 2016 HK$'million	31 December 2015 HK$'million	**30 June 2016 HK$'million**	31 December 2015 HK$'million	**30 June 2016 HK$'million**	31 December 2015 HK$'million
The loans are repayable as follows:						
Within 1 year	**107**	34	**637**	277	**744**	311
Between 1 and 2 years	**234**	67	**—**	358	**234**	425
Between 2 and 5 years	**59**	239	**—**	—	**59**	239
	400	340	**637**	635	**1,037**	975
Less: amounts due within one year included under current liabilities	**(107)**	(34)	**(637)**	(277)	**(744)**	(311)
Non-current portion	**293**	306	**—**	358	**293**	664
Interest rates per annum	**3.03% - 4.35%**	3.03% - 4.35%	**4.65% - 5.20%**	4.65% - 5.20%		

All of the loans from an intermediate holding company and the ultimate holding company are denominated in Renminbi, interest bearing at fixed interest rates as set out above and unsecured.

20. OTHER FINANCIAL LIABILITIES

	30 June 2016 HK$'million	31 December 2015 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	**1,774**	551
– fixed rate	**1,574**	149
Unsecured long-term fixed rate bank loans	**88**	90
Long-term variable rate bank loans		
– unsecured	**1,937**	686
– secured (Note (a))	**4,390**	4,375
	9,763	5,851
Loans from a non-controlling equity holder of a subsidiary (Note (c))	**379**	364
Notes payable (Note (d))		
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,545**	1,542
– US$200 million, 3.5% guaranteed listed notes maturing in 2020	**1,544**	1,541
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,837**	3,830
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	**3,855**	3,851
– RMB200 million, 3.44% unlisted notes maturing in 2016	—	239
– RMB300 million, 4.9% unlisted notes maturing in 2016	—	358
– RMB500 million, 5.6% unlisted notes maturing in 2018	**583**	594
	11,364	11,955
Total	**21,506**	18,170
Less: amounts due within one year included under current liabilities	**(3,874)**	(1,489)
Non-current portion	**17,632**	16,681

20. OTHER FINANCIAL LIABILITIES (Continued)

Notes:

(a) The entire shareholdings in two subsidiaries owned by the Company and its subsidiary as at 30 June 2016 and 31 December 2015 are pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) Listed notes issued by subsidiaries of the Company of HK$10,781 million (31 December 2015: HK$10,764 million) are secured by corporate guarantees provided by the Company.

(c) The amounts are unsecured, interest-bearing at fixed rate at 5% (31 December 2015: 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 2016	31 December 2015
US$200 million, 7.125% guaranteed listed notes maturing in 2018	**7.36%**	7.36%
US$200 million, 3.5% guaranteed listed notes maturing in 2020	**3.64%**	3.64%
US$500 million, 5% guaranteed listed notes maturing in 2022	**5.22%**	5.22%
US$500 million, 4.75% guaranteed listed notes maturing in 2025	**4.83%**	4.83%
RMB200 million, 3.44% unlisted notes maturing in 2016	**N/A**	3.60%
RMB300 million, 4.9% unlisted notes maturing in 2016	**N/A**	5.23%
RMB500 million, 5.6% unlisted notes maturing in 2018	**5.95%**	5.95%

(e) As at 30 June 2016, the Group has undrawn bank loan facilities amounting to HK$10,158 million (31 December 2015: HK$11,569 million), of which HK$7,498 million (31 December 2015: HK$8,985 million) and HK$2,660 million (31 December 2015: HK$2,584 million) are committed and uncommitted credit facilities respectively.

(f) The other financial liabilities as at 30 June 2016 and 31 December 2015 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 2016 HK$'million	31 December 2015 HK$'million	**30 June 2016 HK$'million**	31 December 2015 HK$'million	**30 June 2016 HK$'million**	31 December 2015 HK$'million	**30 June 2016 HK$'million**	31 December 2015 HK$'million	**30 June 2016 HK$'million**	31 December 2015 HK$'million
Within 1 year	**3,874**	892	**—**	—	**—**	597	**—**	—	**3,874**	1,489
Between 1 and 2 years	**1,126**	703	**1,545**	—	**—**	—	**—**	—	**2,671**	703
Between 2 and 5 years	**2,140**	1,401	**1,544**	3,083	**583**	594	**—**	—	**4,267**	5,078
Within 5 years	**7,140**	2,996	**3,089**	3,083	**583**	1,191	**—**	—	**10,812**	7,270
More than 5 years	**2,623**	2,855	**7,692**	7,681	**—**	—	**379**	364	**10,694**	10,900
	9,763	5,851	**10,781**	10,764	**583**	1,191	**379**	364	**21,506**	18,170

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

	30 June 2016	31 December 2015
Hong Kong dollar	**1.95%**	1.56% to 2.41%
Renminbi	**2.70% to 4.90%**	3.92% to 5.62%
Euro	**3.72% to 5.78%**	3.72% to 5.78%
United States dollar	**2.31% to 3.56%**	3.52%

21. CREDITORS AND ACCRUALS

	30 June 2016 HK$'million	31 December 2015 HK$'million
Trade creditors (Note (a))	285	271
Amounts due to fellow subsidiaries (Note (b))	388	115
Dividend payable to ordinary shareholders of the Company	1,429	—
Other payables and accruals	2,198	2,196
	4,300	2,582

Notes:

(a) 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

(b) The amount of HK$271 million (31 December 2015: nil) is unsecured, interest-bearing at fixed rate of 6.175% per annum and repayable within twelve months from the end of the reporting period. The remaining balances are unsecured, interest free and repayable on demand.

22. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments for property, plant and equipment and intangible assets that are contracted but not provided for

	30 June 2016 HK$'million	31 December 2015 HK$'million
Group:		
Property, plant and equipment and intangible assets	1,959	1,542
Joint ventures:		
Property, plant and equipment	396	402
	2,355	1,944

22. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Capital commitments for investments that are contracted but not provided for

	30 June 2016 HK$'million	31 December 2015 HK$'million
Group:		
– Port projects	**587**	581
– Investment in an available-for-sale investment	—	4
– Investment in a subsidiary and an associate	—	58
– Acquisition of a subsidiary	—	1,846
	587	2,489

(c) Contingent liabilities

As at 30 June 2016, 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. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK$160 million (31 December 2015: HK$217 million) arising from the above loan facilities and other obligations.

In addition to above, the Group also provides guarantees for banking facilities granted to and other obligations borne by associates of the Group. The total amount guaranteed by the Group is HK$411 million and the aggregate amount utilised by the relevant associates amounted to HK$10 million as at 30 June 2016.

The Directors assessed the risk of default of the associates in 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.

23. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the six months ended 30 June 2016

During the year ended 31 December 2015, a wholly-owned subsidiary of the Company entered into a share purchase agreement with two fellow subsidiaries and Shenzhen Jinyu Rongtai Investment Development Company Limited ("Shenzhen Jinyu") to acquire 100% equity interest in Shenzhen Jinyu from the fellow subsidiaries. The total consideration is RMB2,047 million (equivalent to HK$2,456 million). This transaction has been completed in current period and accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

	HK$'million
The net assets acquired in the transaction are as follows:	
Property, plant and equipment	**95**
Investment properties	**3,698**
Land use rights	**194**
Debtors, deposits and prepayments	**3**
Cash and bank balances	**28**
Creditors and accruals	**(178)**
Other financial liabilities	**(1,384)**
Total identifiable net assets	**2,456**
Net cash outflow arising in the acquisition:	
Cash consideration paid	**2,456**
Less: Cash and bank balances acquired	**(28)**
Deposit paid in previous year	**(600)**
	1,828

24. DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2015

In January 2015, the Group completed the disposal of the entire issued share capital of, and the entire amount of the shareholders' loan advanced by the Group to SAH, for an aggregate cash consideration of HK$760 million, to a wholly-owned subsidiary of China Merchants Group Limited ("CMG").

The aggregate amounts of assets and liabilities attributable to SAH on the date of disposal were as follows:

	HK$'million
Analysis of assets and liabilities of SAH over which control was lost:	
Goodwill	165
Land use rights	25
Property, plant and equipment	376
Other non-current assets	39
Inventories	41
Financial asset at fair value through profit or loss	580
Debtors, deposits and prepayments	151
Cash and bank balances	23
Creditors and accruals	(114)
Loans from an intermediate holding company	(165)
Amounts due to immediate holding company	(684)
Other financial liabilities	(61)
Other non-current liabilities	(15)
Deferred tax liabilities	(80)
Taxation payable	(1)
Net assets disposed of	280
Gain on disposal of SAH:	
Consideration received	760
Net assets disposed of	(280)
Assignment of shareholder's loan	(684)
Non-controlling interests	221
Cumulative exchange differences reclassified to profit or loss upon disposal of SAH	35
Gain on disposal	52
Net cash inflow arising on disposal:	
Cash consideration	760
Less: Cash and bank balances disposed of	(23)
	737

25. 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 2016 are as follows:

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

		Six months ended 30 June	
	Note	**2016**	2015
		HK$'million	HK$'million
Rental income from	(i)		
– an intermediate holding company		—	21
– fellow subsidiaries		**2**	2
– associates		—	8
Rental expenses paid to	(i)		
– an intermediate holding company		—	1
– fellow subsidiaries		**55**	60
– associates		**43**	42
Service income from	(ii)		
– fellow subsidiaries		**35**	27
– joint ventures		**55**	63
– associates		**30**	12
Service fee paid to	(iii)		
– fellow subsidiaries		**16**	16
– joint ventures		**14**	11
Interest expenses and upfront fees paid to	(iv)		
– the ultimate holding company		**15**	34
– an intermediate holding company		**8**	22

25. 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 rates as specified in note 19 to the condensed consolidated interim financial information on the outstanding amounts due to the ultimate and an intermediate holding companies.

(v) During the current period, the Group completed the acquisition of 100% equity interest in Shenzhen Jinyu for an aggregate cash consideration of RMB2,047 million (equivalent to HK$2,456 million) from two subsidiaries of CMG, details are disclosed in note 23.

(vi) During the period ended 30 June 2015, a wholly-owned subsidiary of the Group transferred certain assets to a joint venture at a consideration of HK$74 million.

(vii) During the period ended 30 June 2015, the Group completed the disposal of the entire issued share capital of, and the entire amount of the shareholders' loan advanced by the Group to SAH, for an aggregate cash consideration of HK$760 million, to a wholly-owned subsidiary of CMG, details are disclosed in note 24.

(viii) As at 30 June 2016, the Group placed deposits of HK$1,110 million (31 December 2015: HK$4,295 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the period, interest income from CMB amounted to HK$7 million (2015: HK$23 million).

The balances with entities within CMG Group as at 30 June 2016 are disclosed in notes 16, 19 and 21 to this condensed consolidated interim financial information.

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in the Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC Government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

25. 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	
	2016	2015
	HK$'million	HK$'million
Interest expense paid (Note)	**9**	8

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 2016 and 31 December 2015 are disclosed in note 20 to the condensed consolidated interim financial information.

(d) Guarantee to associates

The Group provides guarantee for banking facilities granted to and other obligations borne by associates of the Group set out in note 22.

(e) Key management compensation

	Six months ended 30 June	
	2016	2015
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**12**	12

26. EVENT AFTER THE REPORTING PERIOD

On 28 July 2016, an indirect wholly-owned subsidiary of the Company and two subsidiaries of CMG agreed to establish Shenzhen China Merchants Qianhai Investment Holdings Co. Ltd. ("CM Qianhai") in the PRC, with the name subject to the approval of the relevant regulatory authority. The Group will contribute RMB72.8 million in the establishment of CM Qianhai, representing 14% of its total registered capital.

The purpose of the formation of CM Qianhai is to coordinate and manage the various interest in land in Qianhai, Shenzhen, the PRC, currently held by the CMG Group and to jointly develop the Qianhai-Shekou Free Trade Zone with Shenzhen Qianhai Development Investment Holdings Limited, a company incorporated under the laws of the PRC independent to the Group.

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