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

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 00144)**

- Throughput of containers handled reached 53.81 million TEUs, up 7.3% (2017: 50.16 million TEUs)
- Throughput of bulk cargoes handled reached 250 million tonnes, up 0.6% (2017: 249 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$5,448 million, up 73.1% (2017: HK$3,148 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$2,171 million, down 4.3% (2017: HK$2,269 million)
  - √ HK$2,787 million, up 13.7%, from ports operation (2017: HK$2,452 million)
- Basic earnings per share amounted to 166.22 HK cents, up 65.2% (2017: 100.62 HK cents)
- Interim dividend of 22 HK cents per share (2017: 22 HK cents per share and special interim dividend of 135 HK cents per share celebrating the 25th listing anniversary)

## 2018 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
## FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | | Unaudited | |
|---|---|---|---|
| | *Note* | **2018** | **2017** |
| | | *HK$'million* | *HK$'million* |
| Revenue | 2 | 5,560 | 4,055 |
| Cost of sales | | (3,032) | (2,291) |
| Gross profit | | 2,528 | 1,764 |
| Other income and other gains, net | 4 | 4,062 | 1,026 |
| Administrative expenses | | (777) | (530) |
| Operating profit | | 5,813 | 2,260 |
| Finance income | 5 | 135 | 36 |
| Finance costs | 5 | (872) | (582) |
| Finance costs, net | 5 | (737) | (546) |
| Share of profits less losses of | | | |
| Associates | | 1,644 | 1,861 |
| Joint ventures | | 251 | 203 |
| | | 1,895 | 2,064 |
| Profit before taxation | | 6,971 | 3,778 |
| Taxation | 6 | (1,058) | (302) |
| Profit for the period | 7 | 5,913 | 3,476 |
| Attributable to: | | | |
| Equity holders of the Company | | 5,448 | 3,148 |
| Non-controlling interests | | 465 | 328 |
| Profit for the period | | 5,913 | 3,476 |
| Dividends | 8 | 731 | 4,980 |
| Earnings per share for profit attributable to equity holders of the Company | 9 | | |
| Basic and diluted (HK cents) | | 166.22 | 100.62 |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | Unaudited | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| **Profit for the period** | 5,913 | 3,476 |
| **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 | (904) | 2,553 |
| Increase in fair value of available-for-sale financial assets, net of deferred taxation | — | 470 |
| Increase in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI"), net of deferred taxation | 114 | — |
| Share of investment revaluation reserve of associates | (30) | 167 |
| Release of reserves upon disposal of subsidiaries | (98) | (57) |
| *Item that will not be reclassified subsequently to profit or loss:* | | |
| Share of other reserves of associates | — | (19) |
| Total other comprehensive (expense)/income for the period, net of tax | (918) | 3,114 |
| **Total comprehensive income for the period** | 4,995 | 6,590 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | 4,512 | 5,898 |
| Non-controlling interests | 483 | 692 |
| | 4,995 | 6,590 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2018**

| | *Note* | **Unaudited 30 June 2018** *HK$'million* | **Audited 31 December 2017** *HK$'million* |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Goodwill | | 8,040 | 3,628 |
| Intangible assets | | 11,265 | 5,925 |
| Property, plant and equipment | | 29,338 | 30,880 |
| Investment properties | | 8,478 | 8,411 |
| Land use rights | | 11,614 | 12,851 |
| Interests in associates | | 44,690 | 43,314 |
| Interests in joint ventures | | 12,444 | 9,750 |
| Other financial assets | | 4,087 | 3,689 |
| Other non-current assets | | 230 | 400 |
| Deferred tax assets | | 65 | 51 |
| | | 130,251 | 118,899 |
| Current assets | | | |
| Inventories | | 88 | 99 |
| Debtors, deposits and prepayments | 10 | 5,238 | 3,705 |
| Taxation recoverable | | 20 | 1 |
| Cash and bank balances | | 8,532 | 9,247 |
| | | 13,878 | 13,052 |
| Total assets | | 144,129 | 131,951 |

| | Note | Unaudited 30 June 2018 *HK$'million* | Audited 31 December 2017 *HK$'million* |
|---|---|---|---|
| **EQUITY** | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | | 38,207 | 38,207 |
| Reserves | | 36,935 | 33,306 |
| Proposed dividend | 8 | 731 | 1,934 |
| | | 75,873 | 73,447 |
| Non-controlling interests | | 12,991 | 16,194 |
| Total equity | | 88,864 | 89,641 |
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Bank and other borrowings | | 23,148 | 22,292 |
| Other non-current liabilities | | 5,895 | 1,851 |
| Deferred tax liabilities | | 3,384 | 2,638 |
| | | 32,427 | 26,781 |
| Current liabilities | | | |
| Creditors and accruals | 11 | 5,228 | 8,999 |
| Bank and other borrowings | | 16,846 | 6,268 |
| Taxation payable | | 764 | 262 |
| | | 22,838 | 15,529 |
| Total liabilities | | 55,265 | 42,310 |
| Total equity and liabilities | | 144,129 | 131,951 |
| Net current liabilities | | (8,960) | (2,477) |
| Total assets less current liabilities | | 121,291 | 116,422 |

**NOTES:**

## 1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 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**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**") and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2017 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 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

During the period, the Group has applied, for the first time, certain new and amendments to HKFRSs and an interpretation issued by the HKICPA. Except as disclosed below, the adoption of these new and amendments to HKFRSs and an interpretation has had no material effect on the amounts reported in or disclosures set out in this condensed consolidated interim financial information.

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services

- Warehousing services income, representing temporary storage of cargos and containers, custom clearance services and the auxiliary services

- Gross rental income from investment properties

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The directors of the Company assessed that the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised.

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities and (ii) expected credit losses for financial assets.

**Summary of effects arising from initial application of HKFRS 9**

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

| | Other financial assets | | | Reserves | |
|---|---|---|---|---|---|
| | **Available-for-sale financial assets** | **Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9** | **Equity instruments at FVTOCI** | **Other reserves** | **Retained earnings** |
| | *HK$'million* | *HK$'million* | *HK$'million* | *HK$'million* | *HK$'million* |
| At 31 December 2017 - HKAS 39 | 3,689 | N/A | N/A | 6,978 | 28,262 |
| Reclassification: | | | | | |
| From available-for-sale financial assets (Note) | (3,689) | 3,557 | 132 | — | — |
| Transfer from reserves | — | — | — | (1,935) | 1,935 |
| At 1 January 2018 | — | 3,557 | 132 | 5,043 | 30,197 |

Note:

Available-for-sale financial assets

*From available-for-sale financial assets to equity instruments at FVTOCI*

The Group elected to present in other comprehensive income for the fair value changes of its equity investments previously classified as available-for-sale financial assets amounted to HK$132 million as at 31 December 2017, and measured at fair value. These investments are not held for trading and not expected to be sold in the foreseeable future. The fair value changes relating to those investments previously carried at fair value continued to accumulate in other reserves. There is no impact on current and deferred tax and non-controlling interests upon these changes.

*From available-for-sale financial assets to financial assets at FVTPL*

At the date of initial application of HKFRS 9, the Group's equity investments of HK$3,557 million were reclassified from available-for-sale financial assets to financial assets at FVTPL. The fair value changes relating to those investments previously carried at fair value were transferred from other reserves to retained earnings. There is no impact on current and deferred tax and non-controlling interests upon these changes.

## 2 Revenue

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services | 5,275 | 3,821 |
| Warehousing services income, representing temporary storage of cargos and containers, custom clearance services and the auxiliary services | 221 | 199 |
| Gross rental income from investment properties | 64 | 35 |
| | 5,560 | 4,055 |

## 3 Segment information

The key management team of the Company is regarded as the chief operating decision-maker ("**CODM**"), who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The CODM manages the Group's operations by divisions from both 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 business and financial perspectives, management assesses the performance of the Group's business operations including ports operation, bonded logistics operation, 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
- Yangtze River Delta
- Bohai Rim
- Others

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

(ii) Bonded logistics operation includes logistics park operation, ports transportation and airport cargo handling operated by the Group and its associates.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate. Following the disposal of the Group's entire interest in Soares Limited, a wholly-owned subsidiary of the Company, during the six months ended 30 June 2017 whose principal asset was the Group's entire interest in an associate engaging in the port-related manufacturing operation, the segment information in this segment reported to the Group's CODM is up to the date of such disposal.

(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 segments 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 include 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.

During the six months ended 30 June 2018, one of the customers has accounted for over 10% of the Group's total revenue amounting to HK$719 million (2017: no single customer accounted for over 10% of the Group's total revenue).

The Group's revenue by geographical areas of operations and information about its non-current assets other than other financial assets 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** |
| | **2018** | **2017** | **2018** | **2017** |
| | *HK$'million* | *HK$'million* | *HK$'million* | *HK$'million* |
| Mainland China, Hong Kong and Taiwan | 3,812 | 3,306 | 81,954 | 83,813 |
| Other locations | 1,748 | 749 | 44,145 | 31,246 |
| | 5,560 | 4,055 | 126,099 | 115,059 |

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 | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | 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 2018** | | | | | | | | | | |
| Company and subsidiaries | 3,035 | — | 40 | 452 | 1,748 | 5,275 | 221 | — | 64 | 5,560 |
| Share of associates | 437 | 4,252 | 946 | 20 | 665 | 6,320 | 112 | — | 2,773 | 9,205 |
| Share of joint ventures | 6 | 245 | 668 | 633 | 228 | 1,780 | — | — | 4 | 1,784 |
| Total segment revenue | 3,478 | 4,497 | 1,654 | 1,105 | 2,641 | 13,375 | 333 | — | 2,841 | 16,549 |
| **For the six months ended 30 June 2017** | | | | | | | | | | |
| Company and subsidiaries | 2,869 | — | 35 | 168 | 749 | 3,821 | 199 | — | 35 | 4,055 |
| Share of associates | 481 | 4,766 | 1,029 | — | 542 | 6,818 | 82 | 9,265 | 2,545 | 18,710 |
| Share of joint ventures | 5 | 210 | 607 | 546 | 154 | 1,522 | — | — | 1 | 1,523 |
| Total segment revenue | 3,355 | 4,976 | 1,671 | 714 | 1,445 | 12,161 | 281 | 9,265 | 2,581 | 24,288 |

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 2018 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ports operation | | | | | | Bonded logistics operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | Other investments | Corporate function | Sub-total | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | |
| | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* |
| Operating profit/(loss) | 5,571 | (557) | 39 | 58 | 635 | 5,746 | 78 | 216 | (227) | (11) | 5,813 |
| Share of profits less losses of | | | | | | | | | | | |
| – Associates | 64 | 1,108 | 49 | 8 | 298 | 1,527 | 12 | 105 | – | 105 | 1,644 |
| – Joint ventures | – | 75 | 138 | (28) | 65 | 250 | – | 1 | – | 1 | 251 |
| | 5,635 | 626 | 226 | 38 | 998 | 7,523 | 90 | 322 | (227) | 95 | 7,708 |
| Finance costs, net | (6) | – | – | (3) | (197) | (206) | (19) | (23) | (489) | (512) | (737) |
| Taxation | (876) | (2) | (3) | (18) | (36) | (935) | (16) | (107) | – | (107) | (1,058) |
| Profit/(loss) for the period | 4,753 | 624 | 223 | 17 | 765 | 6,382 | 55 | 192 | (716) | (524) | 5,913 |
| Non-controlling interests | (291) | – | – | (33) | (135) | (459) | (6) | – | – | – | (465) |
| Profit/(loss) attributable to equity holders of the Company | 4,462 | 624 | 223 | (16) | 630 | 5,923 | 49 | 192 | (716) | (524) | 5,448 |
| Other information: | | | | | | | | | | | |
| Depreciation and amortisation | 428 | – | 1 | 151 | 423 | 1,003 | 49 | – | 10 | 10 | 1,062 |
| Capital expenditure | 189 | – | – | 379 | 472 | 1,040 | 155 | 1 | 4 | 5 | 1,200 |

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 2017 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | | |
| | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* |
| Operating profit/(loss) | 1,075 | 77 | 44 | 19 | 315 | 1,530 | 68 | 813 | 102 | (253) | (151) | 2,260 |
| Share of profits less losses of | | | | | | | | | | | | |
| – Associates | 126 | 961 | 57 | – | 258 | 1,402 | (2) | 187 | 274 | – | 274 | 1,861 |
| – Joint ventures | – | 66 | 137 | (22) | 30 | 211 | – | – | (8) | – | (8) | 203 |
| | 1,201 | 1,104 | 238 | (3) | 603 | 3,143 | 66 | 1,000 | 368 | (253) | 115 | 4,324 |
| Finance costs, net | (5) | – | – | (12) | (112) | (129) | (20) | – | (21) | (376) | (397) | (546) |
| Taxation | (155) | (50) | (9) | (4) | (15) | (233) | (14) | (17) | (38) | – | (38) | (302) |
| Profit/(loss) for the period | 1,041 | 1,054 | 229 | (19) | 476 | 2,781 | 32 | 983 | 309 | (629) | (320) | 3,476 |
| Non-controlling interests | (274) | – | – | – | (54) | (328) | (1) | – | 1 | – | 1 | (328) |
| Profit/(loss) attributable to equity holders of the Company | 767 | 1,054 | 229 | (19) | 422 | 2,453 | 31 | 983 | 310 | (629) | (319) | 3,148 |
| Other information: | | | | | | | | | | | | |
| Depreciation and amortisation | 396 | – | 3 | 55 | 202 | 656 | 46 | – | – | 8 | 8 | 710 |
| Capital expenditure | 552 | – | – | 71 | 13 | 636 | 9 | – | 23 | – | 23 | 668 |

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

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

| | As at 30 June 2018 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ports operation | | | | | | Bonded logistics operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | Other investments | Corporate function | Sub-total | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | |
| | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* |
| **ASSETS** | | | | | | | | | | | |
| Segment assets (excluding interests in associates and joint ventures) | 17,681 | 3,165 | 585 | 11,228 | 37,470 | 70,129 | 2,938 | 8,437 | 5,406 | 13,843 | 86,910 |
| Interests in associates | 2,502 | 24,605 | 3,746 | 291 | 6,780 | 37,924 | 392 | 6,374 | — | 6,374 | 44,690 |
| Interests in joint ventures | 3 | 1,010 | 3,033 | 2,748 | 5,619 | 12,413 | — | 31 | — | 31 | 12,444 |
| Total segment assets | 20,186 | 28,780 | 7,364 | 14,267 | 49,869 | 120,466 | 3,330 | 14,842 | 5,406 | 20,248 | 144,044 |
| Taxation recoverable | | | | | | | | | | | 20 |
| Deferred tax assets | | | | | | | | | | | 65 |
| Total assets | | | | | | | | | | | 144,129 |
| **LIABILITIES** | | | | | | | | | | | |
| Segment liabilities | (1,359) | — | (37) | (2,331) | (12,686) | (16,413) | (980) | (1,204) | (32,520) | (33,724) | (51,117) |
| Taxation payable | | | | | | | | | | | (764) |
| Deferred tax liabilities | | | | | | | | | | | (3,384) |
| Total liabilities | | | | | | | | | | | (55,265) |

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

| | As at 31 December 2017 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ports operation | | | | | | Bonded logistics operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | Other investments | Corporate function | Sub-total | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | |
| | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* | *HK$' million* |
| **ASSETS** | | | | | | | | | | | |
| Segment assets (excluding interests in associates and joint ventures) | 23,519 | 2,988 | 1,008 | 11,407 | 23,095 | 62,017 | 2,756 | 8,191 | 5,871 | 14,062 | 78,835 |
| Interests in associates | 2,987 | 24,555 | 3,814 | 286 | 6,727 | 38,369 | 395 | 4,550 | — | 4,550 | 43,314 |
| Interests in joint ventures | 3 | 944 | 2,926 | 2,804 | 3,043 | 9,720 | — | 30 | — | 30 | 9,750 |
| Total segment assets | 26,509 | 28,487 | 7,748 | 14,497 | 32,865 | 110,106 | 3,151 | 12,771 | 5,871 | 18,642 | 131,899 |
| Taxation recoverable | | | | | | | | | | | 1 |
| Deferred tax assets | | | | | | | | | | | 51 |
| Total assets | | | | | | | | | | | 131,951 |
| **LIABILITIES** | | | | | | | | | | | |
| Segment liabilities | (3,279) | — | (37) | (2,536) | (11,915) | (17,767) | (1,126) | (1,203) | (19,314) | (20,517) | (39,410) |
| Taxation payable | | | | | | | | | | | (262) |
| Deferred tax liabilities | | | | | | | | | | | (2,638) |
| Total liabilities | | | | | | | | | | | (42.310) |

## 4 Other income and other gains, net

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| Dividend income from equity investments | 38 | 84 |
| Increase in fair value of investment properties | 217 | 87 |
| Gain on disposal of subsidiaries | 4,400 | 813 |
| Gain on disposal of property, plant and equipment | 13 | 6 |
| Net exchange (losses)/gains | (114) | 5 |
| Decrease in fair value of financial assets at FVTPL | (518) | — |
| Increase in fair value of financial liabilities at FVTPL | (64) | — |
| Others | 90 | 31 |
| | 4,062 | 1,026 |

## 5 Finance income and costs

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| Finance income from: | | |
| Interest income from bank deposits | 104 | 30 |
| Others | 31 | 6 |
| | 135 | 36 |
| Interest expense on: | | |
| Bank loans | (364) | (203) |
| Listed notes payable | (336) | (278) |
| Unlisted notes payable | (100) | (63) |
| Loans from: | | |
| – non-controlling equity holders of subsidiaries | (11) | (11) |
| – a fellow subsidiary | (35) | (13) |
| – the ultimate holding company and an intermediate holding company | (4) | (11) |
| – an associate | (14) | — |
| Others | (35) | (20) |
| Total borrowing costs incurred | (899) | (599) |
| Less: amount capitalised on qualifying assets (Note) | 27 | 17 |
| Finance costs | (872) | (582) |
| Finance costs, net | (737) | (546) |

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 8.91% per annum (2017: 4.08% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

## 6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the '**Bill**') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations in Hong Kong for the years of assessment commencing on or after 1 April 2018 will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the year ending 31 December 2018 and only one subsidiary in the Group could elect for the two-tiered rates regime and the election, once made, is irrevocable.

The directors of the Company are in the view that the impact of the two-tiered profits tax rates regime on the Group's current and deferred tax position is not material.

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 to the condensed consolidated statement of profit or loss represents:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| **Current taxation** | | |
| Hong Kong profits tax | 2 | 1 |
| PRC corporate income tax (Note) | 841 | 141 |
| Overseas profits tax | 14 | 1 |
| Withholding income tax | 101 | 128 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | 100 | 31 |
| | 1,058 | 302 |

Note:

Included in the amount for the current interim period is the PRC corporate income tax of HK$630 million levied on the Group for the gain on disposal of Shenzhen Chiwan Wharf Holdings Limited ("**Shenzhen Chiwan**") and its subsidiaries during the period.

## 7 Profit for the period

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| Profit for the period has been arrived at after charging: | | |
| Staff costs (including Directors' emoluments) | 1,012 | 719 |
| Depreciation of property, plant and equipment | 795 | 549 |
| Amortisation of intangible assets and land use rights | 267 | 161 |
| Operating lease rentals in respect of | | |
| – land and buildings | 112 | 108 |
| – plant and machinery | 35 | 39 |

## 8 Dividends

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | **2017** |
| | *HK$'million* | *HK$'million* |
| Interim dividend of 22 HK cents (2017: 22 HK cents) per ordinary share | 731 | 698 |
| Special interim dividend of 135 HK cents per ordinary share for 2017 | — | 4,282 |
| | 731 | 4,980 |

At a meeting held on 31 August 2018, the Board proposed an interim dividend of 22 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as 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 2018.

The amount of interim dividend for 2018 (2017: interim dividend for 2017 and the special interim dividend) was based on 3,324,625,825 (2017: 3,172,077,487) shares in issue as at 31 August 2018.

## 9 Earnings per share

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | **2017** |
| **Basic and diluted** | | |
| Profit attributable to equity holders of the Company (HK$'million) | 5,448 | 3,148 |
| Weighted average number of ordinary shares in issue (Note) | 3,277,619,310 | 3,128,867,827 |
| Basic and diluted earnings per share (HK cents) | 166.22 | 100.62 |

Note:

The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per share for the six months ended 30 June 2018 and 2017 included the ordinary shares of the Company in issue during the period. The numbers for the six months ended 30 June 2017 also included the ordinary shares issued upon conversion of the Mandatory Convertible Securities ("**MCS**") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS before and after its conversion to ordinary shares, have been taken into account in the calculation of the basic and diluted earnings per share above for the six months ended 30 June 2017.

## 10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,277 million (31 December 2017: HK$1,042 million).

The Group has a credit policy of allowing an average credit period of 90 days (2017: 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 2018** *HK$'million* | **31 December 2017** *HK$'million* |
|---|---|---|
| 0 - 90 days | 1,179 | 862 |
| 91 - 180 days | 79 | 149 |
| 181 - 365 days | 15 | 23 |
| Over 365 days | 4 | 8 |
| | 1,277 | 1,042 |

## 11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$305 million (31 December 2017: HK$397 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

| | **30 June 2018** *HK$'million* | **31 December 2017** *HK$'million* |
|---|---|---|
| 0 - 90 days | 196 | 246 |
| 91 - 180 days | 5 | 24 |
| 181 - 365 days | 10 | 43 |
| Over 365 days | 94 | 84 |
| | 305 | 397 |

## INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$731 million for the six months ended 30 June 2018 (representing a dividend payout of 13.4%) 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 (2017: interim dividend of 22 HK cents and a special interim dividend of 135 HK cents per share, aggregate interim dividends of 157 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 15 November 2018 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 2 October 2018 (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 5 October 2018. 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 15 November 2018.

## CLOSURE OF REGISTER

The Register of Members will be closed from 24 September 2018 to 2 October 2018 (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 21 September 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### General overview

In the first half of 2018, global economy continued its positive recovery momentum of 2017, but certain volatility remained. With the reduced balance in the expansion of global economy, the growth rate of some major economies appeared to reach its peak and commenced to decline. Driven by the stimulation of economic policies including tax reform, the U.S. investor and consumer confidence remained strong and the unemployment rate continued to decrease which led to a stronger growth momentum in the U.S. Following the hastened pace of interest rate hike¸ the general economy of the U.S. did not show any significant contraction. Some EU countries recorded decrease in domestic demand and slow down of economic activities which exceeded expectation. Because of the weaker individual consumption and investment sentiments¸ the Japanese economy shrank in the first quarter. In addition, in emerging market and developing economies, the expected inflation hike accelerated the pace of tightening monetary policies; in which imposed pressure on currency depreciation at the same time. Impacted by these factors, certain economies with weaker fundamentals shared a more unbalanced growth outlook. Some South American and Asian countries have made downward adjustment to the growth forecasts of their respective economies. However, the rise in oil price supported some oil-exporting nations to enhance their economies and outlooks. Although the risks that threaten the global economic growth prospect have been increasing, with the gradually stronger fundamentals of the major economies such as the U.S. and China, the recovery trajectory of the global economy continued and the growth prospect over the medium term remained relatively optimistic.

According to the forecast in the "World Economic Outlook" published by the International Monetary Fund ("**IMF**") in July 2018, with the support of the active financial market and continued turnaround of investment and trading, the global economic growth was projected to increase from 3.7% in 2017 to 3.9% in 2018 and 3.9% in 2019. The developed economies grew at 2.4% in 2018, which remained at the same level as compared to that in 2017. Meanwhile, emerging markets and developing economies were projected at a growth of 4.9%, representing an increase of 0.2 percentage point as compared to that of 2017. Total global trading volume (including goods and services) was predicted to grow by 4.8%, representing a decrease of 0.3 percentage point as compared to that of 2017.

In the first half of 2018, China maintained a positive upward trend with a Gross Domestic Product ("**GDP**") growth of 6.8% year-on-year. Due to the rebound of foreign trade, total import and export value amounted to US$2.21 trillion, representing a year-on-year increase of 16.0%, among which the total export value was US$1.17 trillion, indicating a 12.8% year-on-year increase, while total import value was US$1.03 trillion, reflecting a year-on-year increase of 19.9%.

Benefitted from the restorative growth of China's domestic demand and the good performance of import and export trade, according to the data published by the Ministry of Transport of China, the container throughput handled by Chinese ports of significant scale totalled 121 million TEUs during the first half of 2018, representing a year-on-year increase of 5.4%, down 3.4 percentage points as compared to the growth rate of the same period last year. Of which, 108 million TEUs were handled by coastal ports, representing a year-on-year increase of 5.5%, down 2.3 percentage points as compared to the growth rate of the same period last year.

During the six months ended 30 June 2018, the Group's ports handled a total container throughput of 53.81 million TEUs (2017: 50.16 million TEUs), representing a growth of 7.3% as compared with the same period last year, and bulk cargo volume of 250 million tonnes (2017: 249 million tonnes), representing a growth of 0.6% as compared with the same period last year. Profit attributable to equity holders of the Company amounted to HK$5,448 million, representing an increase of 73.1% over the same period last year. Since the Group no longer shared profits from China International Marine Containers (Group) Co., Ltd ("**CIMC**") starting from the second half of last year, recurrent profit [Note 1] decreased by 4.3% over the same period last year to HK$2,171 million. Recurrent profit derived from the Group's core ports operations amounted to HK$2,787 million, up by 13.7% year-on-year. EBITDA[Note 2] derived from the Group's core ports operations amounted to HK$6,545 million, up by 11.1% year-on-year, accounting for 89.0% of the Group's total EBITDA.

**Business review**

***Ports operation***

In the first half of the year, the Group's ports handled a total container throughput of 53.81 million TEUs, up by 7.3% year-on-year, enabling the Group to sustain its leading position among port operators in China. The growth of the period was mainly benefitted from the significant growth of throughput handled by the Group's overseas ports. Among which, the Group's ports in Mainland China contributed container throughput of 40.00 million TEUs, representing an increase of 5.6% year-on-year. The Group's ports in Hong Kong and Taiwan contributed an aggregate container throughput of 3.72 million TEUs, which basically remained at the same level as compared to the same period last year. Total container throughput handled by the Group's overseas ports was 10.09 million TEUs, representing a growth of 18.2% year-on-year. Bulk cargo volume handled by the Group's ports increased by 0.6% year-on-year to 250 million tonnes, within which bulk cargo volume handled by ports in Mainland China totalled 247 million tonnes, representing an increase of 0.7% year-on-year.

***Pearl River Delta region***

In the Pearl River Delta region, the Group's terminals in West Shenzhen Port Zone handled a container throughput of 5.54 million TEUs in the first half of the year, down by 0.5% year-on-year, of which international container throughput totalled 5.23 million TEUs, up by 1.5% year-on-year. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 0.67 million TEUs, down by 2.0% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 7.43 million tonnes, down by 28.9% year-on-year, which was principally affected by the declining grain

*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 2018, gain on disposal of subsidiaries, change in fair value of financial assets and liabilities at fair value through profit or loss and change in fair value of investment properties; while for the first half of 2017, 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, profit attributable to non-controlling interests ("Defined Earnings") of the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures and gain on disposal of subsidiaries.

business in the Pearl River Delta region upon reaching its peak in 2017. Dongguan Machong Terminal handled bulk cargo volume of 5.48 million tonnes, down by 25.0% year-on-year. The total container throughput handled by ports in Hong Kong decreased by 3.8% year-on-year in the first half of the year, of which the container throughput handled by the ports in Kwai Tsing area decreased by 3.5% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited delivered an aggregate container throughput of 2.90 million TEUs in the first half of the year, which decreased by 0.5% year-on-year, and outperformed the overall market of Hong Kong.

***Yangtze River Delta region***

In the first half of the year, Shanghai International Port (Group) Co., Ltd. handled a total container throughput of 20.51 million TEUs, up by 4.6% year-on-year. Bulk cargo volume handled down by 9.3% year-on-year to 75.80 million tonnes, which was principally affected by the increase in production volume of iron ore in China, leading to the shrunk demand for imported iron ore and a decrease in demand for crude oil resulted from the environmental protection activities in the Yangtze River Region. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a total container throughput of 1.71 million TEUs in the first half of the year, representing an increase of 4.7% year-on-year.

***Bohai Rim region***

Dalian Port (PDA) Company Limited handled a total container throughput of 5.50 million TEUs and bulk cargo volume of 61.84 million tonnes, representing an increase of 3.9% and a decrease of 1.6% year-on-year respectively in the first half of the year. Qingdao Qianwan United Container Terminal Co., Ltd. handled a total container throughput of 3.40 million TEUs, representing an increase of 4.7% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 7.12 million tonnes, representing an increase of 11.0% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 29.51 million tonnes, indicating an increase of 5.7% year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 1.32 million TEUs, representing an increase of 6.4% year-on-year.

***South-East region of Mainland China***

In the first half of the year, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**"), located in Xiamen Bay Economic Zone, handled a container throughput of 0.19 million TEUs, down by 4.1% year-on-year, which was mainly attributed to the insufficient local demand and hence affected the container volume. In the first half of the year, ZCMP handled bulk cargo volume of 7.94 million tonnes, up by 88.0% year-on-year, which was mainly attributed to the recovery of the production activities of wood processing and iron ore fines industries in the hinterland. Shantou China Merchants Port Group Co., Ltd., which was acquired in August 2017, handled a container throughput of 0.61 million TEUs and bulk cargo volume of 4.48 million tonnes.

***South-West region of Mainland China***

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.46 million TEUs, up by 9.8% year-on-year; and a total bulk cargo volume of 46.06 million tonnes, up by 7.5% year-on-year in the first half of the year.

***Taiwan***

Kao Ming Container Terminal Corporation in Kaohsiung handled a total container throughput of 0.82 million TEUs in the first half of the year, which basically remained at the same level as compared to the same period last year.

***Overseas operation***

During the first half of the year, the total container throughput handled by the Group's overseas operation amounted to 10.09 million TEUs, representing an increase of 18.2% year-on-year, among which the container throughput handled by Colombo International Container Terminals Limited in Sri Lanka rose significantly by 16.4% year-on-year to 1.30 million TEUs. Container throughput handled by Lomé Container Terminal S.A. in Togo amounted to 0.49 million TEUs, significantly up by 36.1% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.26 million TEUs, representing an increase of 33.8% year-on-year. Terminal Link SAS, which acquired the port of Thessaloniki in Greece at the beginning of this year, handled container throughput of 6.72 million TEUs, representing an increase of 12.6% year-on year. Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey handled container throughput of 0.65 million TEUs, representing an increase of 57.8% year-on-year. Container throughput handled by Port de Djibouti S.A. in Djibouti amounted to 0.41 million TEUs, down by 15.8% year-on-year¸ mainly attributed to the decrease in transshipment volume to Ethiopia. In February 2018, the acquisition of TCP Participações S.A. ("**TCP**") in Brazil was officially completed. TCP handled a container throughput of 0.26 million TEUs from March to June.

***Strategic deployments in the ports operation***

In the first half of 2018, moving towards its core vision of "to be a world's leading comprehensive port service provider", the Group proposed the overall operation philosophy of "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world's leading enterprise". The Group set its vision on long term development and maintained its strategic positioning and strived to be a world's leading comprehensive port service provider. Meanwhile, by capitalising on the existing opportunities, the Group adhered to the principle of "enhancing capability, improving quality and efficiency" as a pivot to focus on both denotative and connotative development, and made efforts in business expansion, platform construction and capacity building.

Regarding the development of homebase port, the significant asset restructuring of Shenzhen Chiwan was in progress as planned. Moreover, the construction of Tonggu Channel dredging and widening project was expeditiously underway. The Group pushed forward the construction of an intelligent port. The “E-port” project was in progress as planned, focusing on the development of big data platform and visualised platform. The intelligent port project connected the external customer service with the internal intelligent and automated terminal operations and compounded by the use of various technologies such as LBS system, Internet of Things, big data and others for the construction of an intelligent port. Meanwhile, the Group promoted the application of innovative projects and implement innovative projects including “Container Storage Yard Operation Safety System” and “RTG Storage Capacity Control”. During the period under review, the Group’s “Comprehensive Service Platform” was officially put into operation, which facilitated trade and customs operation and enhanced the overall competitiveness of the homebase port.

As for overseas expansion, by seizing the development opportunities arising from the “Belt and Road” initiative promoted by China and collaboration over international production capacity, the Group explored the implementation of the comprehensive development model of “Port-Park-City”. On 23 February 2018, the Group completed the acquisition of TCP, which is the second largest container terminal in Brazil. On 14 June 2018, the Group completed the acquisition of the Port of Newcastle, which is the largest port on the east coast of Australia. Those projects marked the expansion of the Group’s overseas port layout from Asia, Africa, Europe, South America and North America to Oceania, realizing its coverage in six continents.

With respect to the Chinese port market, the Group continued to capture the opportunities arising from the existing domestic ports operation consolidation and the coordinated development of ports and cities in China so as to optimise the structure of domestic ports resources. It has also designed a multi-beneficial cooperation model based on the port conditions of different regions and resources available in various hinterlands.

With regard to innovative development, in the first half of 2018, the Group pushed forward the establishment of a comprehensive port ecosystem on the foundation of ports operation in an orderly manner, and enhanced the synergy and cooperation between the relevant involved parties in port business and strengthened its ability in creating values for customers through innovation of management, technology and business models and expansion towards the upstream and downstream of industrial chain and value chain, thereby realising the transformation from a terminal operator to a comprehensive port service provider. It has also implemented projects such as an electronic trading platform for minor bulk agricultural product with a view to establishing a comprehensive port ecosystem with its best endeavours, at the same time launching the global intelligent container project and developed the container cargo status analysis platform based on big data. The innovative integration model of industry with elements of finance initiated the establishment of an innovative port development and investment platform in China and boosted the synergy and mutual use of resources. The Group further facilitated the replication and promotion of the success in “Port+” model and commenced deep cooperation in the fields of port big data and intelligent hardware and software by focusing on the direction of “Smart Port”. The Group has built a comprehensive port ecosystem and has developed a highly vertical ecosystem for port and port-related industries.

### *Bonded logistics operation*

During the first half of the year, the Group's bonded logistics business continued to pursue the development direction of diverse integrated services business. On one hand, the Group put more efforts in marketing and enhanced the utilisation rate of resources such as the existing warehouses and yards so as to respond with market changes. The utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen recorded an increase of 23.6 percentage points to 99.4% year-on-year. The utilisation rate of warehouses of China Merchants International Terminal (Qingdao) Co., Ltd. in Qingdao remained at 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an utilisation rate of 58.0% of its warehouses in the first half of the year. On the other hand, the Group also actively expanded its overseas projects, striving to maintain a balanced business layout. The bonded warehouse in Djibouti, which was invested and constructed by the Group, will commence operation in the near term.

During the first half of 2018, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 2.09 million tonnes, representing an increase of 2.6% year-on-year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.41 million tonnes, representing an increase of 59.1% year-on-year, and a market share of 19.6%, up by 7 percentage points year-on-year.

## Financial review

For the six months ended 30 June 2018, the Group's revenue [Note 3] amounted to HK$16,549 million, down 31.9% over the same period last year, of which the Group no longer share the revenue from CIMC after the disposal since the second half of last year, decreased by HK$9,265 million over the same period last year, on the other hand, revenue from core ports operation increased by 10.0% over the same period last year to HK$13,375 million as a result of the new acquisition projects and a rise in business volume. Profit attributable to equity holders of the Company amounted to HK$5,448 million, up 73.1% over the same period last year, which included a gain of HK$3,733 million (net of tax) recognized from the disposal of the Group's equity interest in Shenzhen Chiwan during the period.

As at 30 June 2018, total assets of the Group increased by 9.2% from HK$131,951 million as at 31 December 2017 to HK$144,129 million, which was mainly attributed to the completion of acquisition of TCP during the period. Net assets attributable to equity holders of the Company was HK$75,873 million as at 30 June 2018, representing an increase of 3.3% from that as at 31 December 2017, mainly resulted from increase in profit attributable to equity holders of the Company.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar or Brazilian Real and any exchange difference so arising from retranslation of these financial statements have been dealt with in the 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 optimise its overall exposure to maintain foreign exchange risk at a manageable level.

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

In general, the Group's ports operation continued to yield stable cash inflow. The Group's total net cash inflow from operating activities for the six months ended 30 June 2018 was HK$2,026 million, an increase of 8.7% as compared to the same period last year. For the six months ended 30 June 2018, due to the fact that capital expenditure on business acquisitions increased significantly as compared to the same period last year, the Group has net cash outflow of HK$11,613 million from investment activities during the period, as compared to a net cash inflow of HK$6,532 million in the same period last year. At the same time, the Group's net cash inflow from financing activities amounted to HK$8,928 million for the six months ended 30 June 2018, as compared to a net cash inflow of HK$3,293 million in the same period last year.

To support the Group's general corporate finance needs, including the repayment of existing indebtedness, CMHI Finance (BVI) Co., Ltd, a wholly-owned subsidiary of the Company, completed the issuance of fixed-rate guaranteed notes totalling US$1,500 million in August 2018, which consists of two tranches including a 5-year tranche of US$900 million notes maturing in 2023 with a coupon rate of 4.375%, and a 10-year tranche of US$600 million notes maturing in 2028 with a coupon rate of 5%. These notes are listed on HKSE.

**Liquidity and treasury policies**

As at 30 June 2018, the Group had approximately HK$8,532 million in cash, 4.4% of which was denominated in Hong Kong dollars, 7.6% in United States dollars, 75.5% in Renminbi and 12.5% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK$2,026 million in total.

During the period, the Group incurred capital expenditure amounted to HK$1,200 million while the Group adopted 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-term to long-term loans, the Group, supported by adequate undrawn bilateral bank 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 2018, the Company had 3,277,619,310 shares in issue. The Company issued 47,006,515 shares under the Company's scrip dividend scheme in July 2018.

As at 30 June 2018, the Group's net gearing ratio [Note 4] was approximately 35.4%.

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

During the period, the Company issued fixed-rate unlisted note maturing in 2021 for the amount of RMB500 million to finance the Group's working capital.

The Group had aggregate bank loans and listed notes payable of HK$24,146 million as at 30 June 2018 that contain customary cross default provisions.

As at 30 June 2018, the Group's outstanding interest bearing debts are analysed as below:

| | **30 June 2018** | **31 December 2017** |
|---|---|---|
| | *HK$'million* | *HK$'million* |
| Floating-rate bank loans which are repayable as follows (Note): | | |
| Within 1 year | 15,293 | 1,045 |
| Between 1 and 2 years | 2,013 | 1,811 |
| Between 2 and 5 years | 5,245 | 5,242 |
| More than 5 years | 1,679 | 2,033 |
| | 24,230 | 10,131 |
| Fixed-rate bank loans which are repayable as follows: | | |
| Within 1 year | 136 | 586 |
| More than 5 years | 30 | 30 |
| | 166 | 616 |
| Fixed-rate listed notes payable which are repayable: | | |
| In 2018 | — | 1,562 |
| In 2020 | 1,565 | 1,558 |
| In 2022 | 3,895 | 3,877 |
| In 2025 | 3,904 | 3,888 |
| | 9,364 | 10,885 |

*Note:* All bank loans are unsecured except for HK$4,104 million (31 December 2017: HK$4,284 million).

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| | *HK$'million* | *HK$'million* |
| Fixed-rate unlisted notes payable which are repayable: | | |
| In 2018 | — | 418 |
| In 2019 | — | 358 |
| In 2021 | 593 | — |
| In 2022 | 2,965 | 2,991 |
| | 3,558 | 3,767 |
| Floating-rate listed notes payable which are repayable: | | |
| In 2022 | 817 | — |
| Loans from an intermediate holding company which are repayable as follows: | | |
| Within 1 year | 61 | 120 |
| Between 1 and 2 years | — | 59 |
| | 61 | 179 |
| Loans from a fellow subsidiary | | |
| Repayable within 1 year | 1,079 | 2,261 |
| Loan from an associate | | |
| Repayable within 1 year | 277 | 276 |
| Loan from a non-controlling equity holder of a subsidiary | | |
| Repayable more than 5 years | 442 | 445 |

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 a fellow subsidiary HK$' million | Loan from an associate HK$' million | Loan from a non-controlling equity holder of a subsidiary HK$' million | Total HK$' million |
|---|---|---|---|---|---|---|---|---|
| **As at 30 June 2018** | | | | | | | | |
| USD | 15,330 | 9,364 | — | — | — | 277 | — | 24,971 |
| RMB | 5,949 | — | 3,558 | 61 | 1,079 | — | — | 10,647 |
| EURO | 1,799 | — | — | — | — | — | 442 | 2,241 |
| Brazilian Real | 1,318 | 817 | — | — | — | — | — | 2,135 |
| | 24,396 | 10,181 | 3,558 | 61 | 1,079 | 277 | 442 | 39,994 |
| **As at 31 December 2017** | | | | | | | | |
| USD | 2,200 | 10,885 | — | — | — | 276 | — | 13,361 |
| RMB | 6,583 | — | 3,767 | 179 | 2,261 | — | — | 12,790 |
| EURO | 1,964 | — | — | — | — | — | 445 | 2,409 |
| | 10,747 | 10,885 | 3,767 | 179 | 2,261 | 276 | 445 | 28,560 |

**Assets charge**

As at 30 June 2018, bank loans of HK$237 million (31 December 2017: HK$120 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$406 million (31 December 2017: HK$369 million) and land use rights with carrying value of HK$193 million (31 December 2017: HK$197 million). In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary were pledged to various banks for bank loans of HK$3,867 million (31 December 2017: HK$4,164 million).

**Employees and remuneration**

As at 30 June 2018, the Group employed 9,036 full time staff, of which 203 worked in Hong Kong, 6,713 worked in Mainland China, and the remaining 2,120 worked overseas. The remuneration paid by the Group for the period amounted to HK$1,012 million, representing 26.6% 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, individual's performance, conditions of the human resources market and general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance 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 and responsibilities in the Company, experience and the 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 the occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

**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. Aiming at "energy conservation and efficiency enhancement" with "technological innovations" as the means while fulfilling the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment", the Group has continued its efforts in promoting the building of low-carbon green port. The Group encouraged its ports to actively carry out energy conservation management and to reduce energy consumption and control emission of greenhouse gas, such as carbon dioxide, through special operation management model and research and development of innovative energy conservation and emission reduction technologies. While continuing to develop new process and technologies, the Group also promoted and extended the application of successful cases such as "substitution of fuel-powered equipment with electricity-powered equipment (油改電)", "RTG remote control project (RTG遠端控制項目)" and "shore-powered supply for vessels (船舶岸基供電)", as well as LNG new energy and LED energy-saving lighting equipment at its ports so as to further expand the application of new energy conservation technologies and products with a view to establishing a new and modern container port zone that is green, efficient, eco-friendly and sustainable with the use of clean energy and green power.

The Group is committed to integrating its corporate core values into the community by participating actively in various community and charitable activities. The Group's charitable activities adhered to the theme of "Shaping Blue Dreams Together (共鑄藍色夢想)", which concerns the ocean and humanities. In the first half of 2018, the Group donated education and living materials that worth US$21,000 to the poor local areas in Hambantota, Sri Lanka. The Group continued to organise the summer course under "Shaping Blue Dreams Together — C Blue Training Programme in the 21st Century (共鑄藍色夢想— 21世紀海上絲綢之路優才計劃)", providing advanced-level port and shipping training programme for 25 overseas trainees from 13 countries over 4 continents along the "Belt and Road". Supplemented by site visits to leading enterprises in fields such as port and shipping, logistics and industrial park development in the PRC, the programme adopted an education model that combines theoretical courses with researches and investigations, which can provide training for overseas trainees to acquire professional knowledge and enhance operational capability, at the same time promoting the economic development and social progress of countries along the "Belt and Road" on a continuous basis.

**Future prospects**

Looking forward to the second half of the year, the global economy is expected to stay on the recovery trajectory. According to IMF, it is expected that the global economy will grow by 3.9% in 2018, up 0.2 percentage point as compared to that of 2017, among which, developed economies are expected to grow by 2.4% (2017: 2.4%), while emerging and developing economies will grow by 4.9% (2017: 4.7%). However, as the global economy recovered from recession, trade and investment tend to become moderate, financing conditions tightened, and trade frictions escalated, it is expected that the momentum of marginal economic growth will slow down.

In the second half of the year, the economy of China is expected to enter into a stage of "slower growth, higher quality". It is expected that China's real GDP will grow by 6.5% in 2018. As for stimulating the investment, consumption and export of the domestic economy, investment will slow down as de-leverage continues; consumption will become the key driver of the economy; and the escalation of Sino-US trade friction may affect export performance to some extent. In 2018, risks to the economy of China are tilted to the downside with the uncertainties mainly including the tightening of monetary and real estate policies as well as external demand.

The growth rate of global container throughput has increased but the growth rate may slow down due to the impact of the economic and trade environment. Benefited from various factors such as recovery of the global economy, and improved sentiments of the shipping industry, the global container throughput for 2017 rebounded to 6.8%. Nevertheless, after entering into 2018, as a result of the Sino-US trade friction in the first half of the year, the market confidence in global trade and the port and shipping industry has been affected. However, as most of the international procurement contract to be delivered in the second half of the year were entered into before the trade war, thus, the influence of the trade war on the port throughput during the year will be limited. In the event that the Sino-US trade friction continues and worsens, the future global trade landscape might be reshaped and the flow of international trade might be changed.

In the second half of the year, the Group will continue to adhere to its strategic goal of "to be a world's leading comprehensive port service provider". The Group will also, with "enhancing capability, improving quality and efficiency" as a pivot, push forward balanced development in terms of regions, businesses and stages, and continue to deepen, optimise, and refine the Group's strategies. It will strengthen its strategic directives, maintain its strategic positioning, and deepen its strategic goal to ensure that all operational targets can be met. The Group will conduct a thorough review on the transformation and innovation of its ports operation to nurture and explore new drivers for profitability, including the expansion into upstream and downstream of ports operation and extension of the industrial chain. We will also vigorously promote the "Port-Park-City" development model and consolidate resources to explore comprehensive regional development and construction with a focus on ports operations.

While staying focused on its core ports operation, the Group will strive to achieve new breakthrough by promoting the development of its key projects. The Group will enhance the overall competitiveness of its homebase port in China by further improving its service products in relation to cargo collection-distribution, enhancing the attractiveness of Shenzhen homebase port for cargo from the Pearl River Delta region as well as reinforcing and strengthening the overall servicing capability of Shenzhen homebase port. We will also steadily push forward the work in relation to unification of the port code in West Shenzhen Port Zone, gradually realise reasonable deployment of the shipping routes of the West Shenzhen Port Zone with a view to increasing the overall utilisation rate of resources of the port zone and enhance the comprehensive market competitiveness. We will expedite the construction of overseas homebase port by focusing on the regional strategic planning, optimizing use of the resources, facilitating the implementation of port strategy with an aim to expanding the production capacity and securing client resources in advance. We will also accelerate the consolidation of existing domestic ports operation by taking advantage of the favourable national policies.

The Group will insist on pursuing innovation and transformation and continue to exert great efforts in building a comprehensive port ecosystem and promoting the construction of "E-port" platform. Its core competitiveness will also be enhanced through the establishment a unified customer service platform. We will also further promote the Yingkou port financing project, and launch projects such as PRD terminal networking project, Port AI project, and auto-driving truck in port restricted area project. While carrying out the research and development of new technologies, we will also study the promotional plan for marketing of the relevant technological products, which will serve as support for the development of our business model in the future. We will step up our efforts in respect of integration of industry with elements of finance by pushing ahead with the establishment of an investment platform for innovation development of domestic ports on a continuous basis. Meanwhile, we will commence innovative investment business in areas such as "business model innovation for port operations, technological innovation for port operations and mechanism and system innovation for port operations", striving to realise a deep and cross-sector integration of innovations.

Against a backdrop of continuous recovery of the global economy and trade, steady growth of the Chinese economy and uncertainties of the port and shipping market in 2018, the Group will seize new opportunities for its port business to continuously adjust and optimise its asset structure and demonstrate the effect of the capital management platform with a view to enhancing its overall return on equity. As always, the Group will endeavor to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

## REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2018.

## CORPORATE GOVERNANCE

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

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

The Board resolved to appoint Mr. Su Jian as Executive Director of the Company with effect from 12 October 2017 to fill a casual vacancy. However, Mr. Su Jian was not subject to re-election at the first general meeting of the Company after his appointment (being the extraordinary general meeting of the Company held on 19 March 2018) in accordance with Code Provision A.4.2 set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules and was only subject to re-election at the annual general meeting of the Company held on 1 June 2018 (and Mr. Su Jian was re-elected as Executive Director of the Company by the shareholders of the Company at such general meeting). Save as disclosed, in the opinion of the Directors, the Company has complied with the rest of the code provisions set out in the Corporate Governance Code throughout the six months ended 30 June 2018.

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 1 June 2018 to answer shareholders' questions.

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

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

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

## PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2018 interim report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By Order of the Board
**China Merchants Port Holdings Company Limited**
**Fu Gangfeng**
*Chairman*

Hong Kong, 31 August 2018

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