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 66.28 million TEUs, down 0.3% (2021: 66.51 million TEUs)
- Throughput of bulk cargos handled reached 269 million tonnes, down 5.3% (2021: 284 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$4,825 million, up 2.4% (2021: HK$4,711 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$4,974 million, up 9.8% (2021: HK$4,530 million)
  - √ HK$6,036 million, up 35.7%, from ports operation (2021: HK$4,448 million)
- Basic earnings per share amounted to 127.48 HK cents, down 0.9% (2021: 128.67 HK cents)
- Interim dividend of 22 HK cents per share (2021: 22 HK cents per share)

2022 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 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
	Note	**2022**	**2021**
		HK$'million	*HK$'million*
Revenue	2	6,508	5,663
Cost of sales		(3,400)	(3,016)
Gross profit		3,108	2,647
Other income and other (losses)/gains, net	4	(437)	283
Administrative expenses		(712)	(680)
Finance income	5	210	192
Finance costs	5	(1,018)	(847)
Finance costs, net	5	(808)	(655)
Share of profits less losses of			
Associates		4,871	4,145
Joint ventures		165	61
		5,036	4,206
Profit before taxation		6,187	5,801
Taxation	6	(626)	(527)
Profit for the period	7	5,561	5,274
Attributable to:			
Equity holders of the Company		4,825	4,711
Holders of perpetual capital securities		113	113
Non-controlling interests		623	450
Profit for the period		5,561	5,274
Dividends	8	866	823
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		127.48	128.67

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	2022	**2021**
	HK$'million	*HK$'million*
Profit for the period	5,561	5,274
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	(4,404)	528
Release of reserves upon deemed disposal of a subsidiary	—	(3)
Release of reserves upon deemed disposal of partial interest in an associate	—	(16)
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	81	(1)
Total other comprehensive (expense)/income for the period, net of tax	(4,323)	508
Total comprehensive income for the period	1,238	5,782
Total comprehensive income attributable to:		
Equity holders of the Company	1,055	5,139
Holders of perpetual capital securities	113	113
Non-controlling interests	70	530
	1,238	5,782

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022** *HK$'million*	**Audited 31 December 2021** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		5,743	5,641
Intangible assets		8,480	8,607
Property, plant and equipment		25,654	26,846
Right-of-use assets		17,197	17,650
Investment properties		8,666	9,034
Interests in associates		76,160	75,209
Interests in joint ventures		9,569	8,874
Other financial assets		10,162	10,516
Other non-current assets		395	203
Deferred tax assets		371	394
		162,397	162,974
Current assets			
Inventories		184	166
Other financial assets		453	3,016
Debtors, deposits and prepayments	10	4,130	2,134
Taxation recoverable		—	3
Cash and bank balances		8,855	9,980
		13,622	15,299
Non-current assets held for sale		400	417
		14,022	15,716
Total assets		176,419	178,690

	Note	Unaudited 30 June 2022 HK$'million	Audited 31 December 2021 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		44,017	44,017
Reserves		51,757	51,519
Proposed dividend	8	866	2,726
		96,640	98,262
Perpetual capital securities		6,242	6,241
Non-controlling interests		19,887	20,295
Total equity		122,769	124,798
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		25,291	22,231
Lease liabilities		914	886
Other non-current liabilities		4,986	4,735
Deferred tax liabilities		4,789	4,851
		35,980	32,703
Current liabilities			
Creditors and accruals	11	3,912	4,304
Dividend payable to ordinary shareholders of the Company		2,726	—
Bank and other borrowings		9,794	14,551
Lease liabilities		104	40
Taxation payable		1,134	2,294
		17,670	21,189
Total liabilities		53,650	53,892
Total equity and liabilities		176,419	178,690
Net current liabilities		(3,648)	(5,473)
Total assets less current liabilities		158,749	157,501

NOTES:

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2021 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 is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) (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 the amendments to HKFRSs issued by the HKICPA for the first time. The application of the amendments to HKFRSs has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated interim financial information.

2 Revenue

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

	Six months ended 30 June	
	2022	**2021**
	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	6,172	5,313
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	254	246
Revenue from contracts with customers	6,426	5,559
Gross rental income from investment properties	82	104
	6,508	5,663

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 perspectives.

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 reporting 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 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.

The Group's ports operation are as follows:

(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 logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Other operations mainly include property development and investment and logistics operation operated by the Group's associates, 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. For the purpose of segment reporting, these individual operating segments have been aggregated into reporting segments on geographic basis as these individual operating segments have similar economic characteristics, and they 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.

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**
	2022	**2021**	**2022**	**2021**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	4,233	3,519	107,747	108,106
Brazil	835	753	8,653	8,117
Other locations	1,440	1,391	35,464	35,841
	6,508	5,663	151,864	152,064

An analysis of the Group's segment revenue, 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 2022										
	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*
Revenue	2,576	785	41	520	2,250	6,172	254	82	–	82	6,508
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,165	248	(23)	30	1,024	2,444	61	37	(583)	(546)	1,959
Share of profits less losses of											
– Associates	129	3,596	110	32	841	4,708	7	156	–	156	4,871
– Joint ventures	–	–	64	4	96	164	1	–	–	–	165
	1,294	3,844	151	66	1,961	7,316	69	193	(583)	(390)	6,995
Finance costs, net	(34)	1	–	(13)	(180)	(226)	(7)	(16)	(559)	(575)	(808)
Taxation	(259)	(217)	(13)	(17)	(88)	(594)	(11)	(21)	–	(21)	(626)
Profit/(loss) for the period	1,001	3,628	138	36	1,693	6,496	51	156	(1,142)	(986)	5,561
Holders of perpetual capital securities	–	–	–	–	–	–	–	–	(113)	(113)	(113)
Non-controlling interests	(201)	(155)	–	(20)	(237)	(613)	(10)	–	–	–	(623)
Profit/(loss) attributable to equity holders of the Company	800	3,473	138	16	1,456	5,883	41	156	(1,255)	(1,099)	4,825
Other information:											
Depreciation and amortisation	379	121	1	165	469	1,135	53	5	16	21	1,209
Capital expenditure	308	25	–	53	101	487	24	6	–	6	517

An analysis of the Group's segment revenue, 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 2021										
	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*
Revenue	2,087	534	35	522	2,135	5,313	246	104	–	104	5,663
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,070	209	502	44	429	2,254	73	61	(138)	(77)	2,250
Share of profits less losses of											
– Associates	124	2,727	121	51	230	3,253	6	886	–	886	4,145
– Joint ventures	–	–	30	3	27	60	1	–	–	–	61
	1,194	2,936	653	98	686	5,567	80	947	(138)	809	6,456
Finance costs, net	7	–	–	(19)	(39)	(51)	(9)	(17)	(578)	(595)	(655)
Taxation	(263)	(156)	(53)	(23)	41	(454)	(19)	(54)	–	(54)	(527)
Profit/(loss) for the period	938	2,780	600	56	688	5,062	52	876	(716)	160	5,274
Holders of perpetual capital securities	–	–	–	–	–	–	–	–	(113)	(113)	(113)
Non-controlling interests	(162)	(70)	–	(18)	(186)	(436)	(14)	–	–	–	(450)
Profit/(loss) attributable to equity holders of the Company	776	2,710	600	38	502	4,626	38	876	(829)	47	4,711
Other information:											
Depreciation and amortisation	297	117	1	161	468	1,044	58	1	13	14	1,116
Capital expenditure	642	19	–	69	82	812	3	21	5	26	841

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 reporting segments, and all liabilities other than taxation payable and deferred tax liabilities are allocated to reporting segments.

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

	As at 30 June 2022										
	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)	19,737	7,881	1,050	11,549	36,382	76,599	2,585	8,847	1,888	10,735	89,919
Interests in associates	2,955	38,769	4,982	3,151	9,198	59,055	583	16,522	—	16,522	76,160
Interests in joint ventures	5	—	2,987	359	5,430	8,781	552	236	—	236	9,569
Non-current assets held for sale	—	—	—	400	—	400	—	—	—	—	400
Total segment assets	22,697	46,650	9,019	15,459	51,010	144,835	3,720	25,605	1,888	27,493	176,048
Deferred tax assets											371
Total assets											176,419
LIABILITIES											
Segment liabilities	3,397	198	16	1,687	8,471	13,769	654	758	32,546	33,304	47,727
Taxation payable											1,134
Deferred tax liabilities											4,789
Total liabilities											53,650

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

	As at 31 December 2021										
	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)	20,092	6,938	1,040	12,077	35,599	75,746	3,393	8,928	5,726	14,654	93,793
Interests in associates	2,960	36,076	5,186	3,353	9,380	56,955	817	17,437	—	17,437	75,209
Interests in joint ventures	10	—	3,047	378	5,409	8,844	7	23	—	23	8,874
Non-current assets held for sale	—	—	—	417	—	417	—	—	—	—	417
Total segment assets	23,062	43,014	9,273	16,225	50,388	141,962	4,217	26,388	5,726	32,114	178,293
Taxation recoverable											3
Deferred tax assets											394
Total assets											178,690
LIABILITIES											
Segment liabilities	3,945	214	18	1,888	8,676	14,741	648	1,006	30,352	31,358	46,747
Taxation payable											2,294
Deferred tax liabilities											4,851
Total liabilities											53,892

4 Other income and other (losses)/gains, net

	Six months ended 30 June	
	2022	**2021**
	HK$'million	*HK$'million*
Net changes in fair value of financial assets at fair value through profit or loss ("FVTPL")	(144)	(22)
Net changes in fair value of financial liabilities at FVTPL	—	(531)
Net changes in fair value of investment properties	6	4
Net exchange losses	(463)	(11)
Dividend income from equity investments	92	88
Government grants	61	203
Gain on disposal of property, plant and equipment	—	11
Gain on deemed disposal of a subsidiary	—	17
(Loss)/gain on deemed disposal of partial interest in an associate	(3)	500
Others	14	24
	(437)	283

5 Finance income and costs

	Six months ended 30 June 2022 *HK$'million*	2021 *HK$'million*
Finance income from:		
Interest income from bank and other deposits	74	52
Interest income from advances to associates	100	102
Interest income from advance to a joint venture	36	38
	210	192
Interest expense on:		
Bank loans	(180)	(164)
Notes payable	(554)	(606)
Loans from:		
– a non-controlling equity holder of a subsidiary	(9)	(12)
– a fellow subsidiary	(6)	(9)
– immediate holding company	(28)	(21)
Lease liabilities	(27)	(25)
Others	(214)	(41)
Total borrowing costs incurred	(1,018)	(878)
Less: amount capitalised on qualifying assets (Note)	—	31
Finance costs	(1,018)	(847)
Finance costs, net	(808)	(655)

Note:

Apart from the interest expense 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 3.86% per annum was applied for the six months ended 30 June 2021, 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% (2021: 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 the 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 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	
	2022	**2021**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	5	4
PRC corporate income tax	349	292
Overseas profits tax	55	11
Withholding income tax	114	112
Deferred taxation		
Origination and reversal of temporary differences	103	108
	626	527

7 Profit for the period

	Six months ended 30 June	
	2022	**2021**
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,126	1,032
Depreciation of property, plant and equipment	802	733
Depreciation of right-of-use assets	269	249
Amortisation of intangible assets	138	134

8 Dividends

	Six months ended 30 June	
	2022	**2021**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2021: 22 HK cents) per ordinary share	866	823

At a meeting held on 30 August 2022, 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 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 2022.

The amount of interim dividend for 2022 was based on 3,938,269,512 (2021: 3,743,142,822) shares in issue as at 30 August 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 2 June 2022, a final dividend of 72 HK cents per ordinary share, totalling HK$2,726 million for the year ended 31 December 2021 was declared. In July 2022, the Company issued 152,649,783 shares under the Company's scrip dividend scheme.

9 Earnings per share

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

	Six months ended 30 June	
	2022	**2021**
Basic		
Profit attributable to equity holders of the Company (HK$'million)	4,825	4,711
Weighted average number of ordinary shares in issue	3,785,619,729	3,661,088,416

No diluted earnings per share for both six months ended 30 June 2022 and 2021 were presented as there were no potential dilutive ordinary shares in issue for both periods.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,362 million (31 December 2021: HK$1,023 million).

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2021: 90 days) to its trade debtors. The ageing analysis of the trade debtors, based on the invoice date, net of allowance for credit losses of trade debtors, is as follows:

	30 June 2022 *HK$'million*	**31 December 2021** *HK$'million*
0 - 90 days	1,230	904
91 - 180 days	97	61
181 - 365 days	26	39
Over 365 days	9	19
	1,362	1,023

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$475 million (31 December 2021: HK$546 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2022 *HK$'million*	**31 December 2021** *HK$'million*
0 - 90 days	419	473
91 - 180 days	14	25
181 - 365 days	6	4
Over 365 days	36	44
	475	546

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$866 million for the six months ended 30 June 2022 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 (2021: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 21 November 2022 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 5 October 2022 (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 10 October 2022. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the HKSE 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 21 November 2022.

CLOSURE OF REGISTER

The Register of Members will be closed from 28 September 2022 to 5 October 2022 (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 27 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In the first half of 2022, the frequent occurrence of "black swan events" such as the recurrence of the global COVID-19 pandemic and the Russia-Ukraine conflict, the shrinking consumption demand under the pressure of global "stagflation", the heightening debt crisis in the emerging markets and other factors posed more uncertainties on the global macro economy and trade, and negatively affected global economic recovery. The increasingly severe geopolitical risks accelerated the restructuring of global supply chains and industrial chains, which disrupted the growth of the trade in commodity and services. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in July 2022, the global economy in 2022 was expected to grow by 3.2%, representing a decrease of 2.9 percentage points year-on-year. Among that, developed economies were projected to grow by 2.5%, while emerging markets and developing economies were expected to grow by 3.6%, down by 2.7 percentage points and 3.2 percentage points year-on-year, respectively. Besides, according to the forecast of the World Trade Organisation in April 2022, global trade would increase by 3% in 2022, down by 1.7 percentage points as compared to the previous forecast, attributable to the medium to long term impact from the Russia-Ukraine conflict which has interfered with the progress of overall economic recovery.

In the first half of 2022, China's macro economy achieved steady growth as a whole. According to the National Bureau of Statistics of China, the GDP of China was RMB56.26 trillion in the first half of 2022, up by 2.5% year-on-year at constant prices. On the other hand, under the increasingly complex and critical situation of foreign trade development, China adhered to the principle of seeking progress while maintaining stability. A package of economic stabilisation policies and measures launched during the year began to achieve results, which has further enhanced foreign trade and logistics and comprehensively expedited the resumption of work and production of enterprises. As such, the foreign trade was expected to maintain its stable growth momentum continuously. According to the statistics published by the General Administration of Customs of China, the total value of foreign trade of import and export of China amounted to RMB19.8 trillion in the first half of 2022, representing a year-on-year increase of 9.4%, among which the export value was RMB11.14 trillion, up by 13.2% year-on-year, and the import value was RMB8.66 trillion, up by 4.8% year-on-year. The trade surplus was RMB2.48 trillion.

In the first half of 2022, with the alleviation of periodic problems such as the supply chain imbalance and port congestion in the maritime market, a considerable number of shipbuilding orders were successively delivered as scheduled, thereby releasing the globally effective shipping capacity from the supply side. However, at the same time, the pandemic and the Russia-Ukraine conflict led to the global economic slowdown and inflation, an upsurge in global debt levels and a plunge in consumption demand. In addition, the commodities ordered during the previous year have not been fully consumed in European and American countries. The large number of inventories reduced the procurement demand during the year, resulting in a falling demand in the maritime industry, with the freight rate in the international market on a downward trajectory. According to the "Drewry World Container Index", as of 30 June 2022, the freight rate index amounted to 7,066.03 points, representing a decrease of 15.9% year-on-year.

Under the increasingly complex and critical internal and external environment, the growth of the global ports industry slowed down in the first half of 2022. In China, the waterway channels of major ports across the country were accessible and highly efficient with steady and orderly operation, while key indicators have been steadily improving. According to the data published by the Ministry of Transport of China, the accumulated container throughput handled by ports in Mainland China reached 142.31 million TEUs in the first half of 2022, representing an increase of 3% year-on-year, of which, 125.62 million TEUs were handled by coastal ports, representing a year-on-year increase of 3%.

During the first half of 2022, the Group's ports handled a total container throughput of 66.28 million TEUs, down by 0.3% as compared with the corresponding period last year, and bulk cargo volume of 269 million tonnes, down by 5.3% from the corresponding period of previous year. For the six months ended 30 June 2022, the Group's revenue amounted to HK$6,508 million, representing a year-on-year increase of 14.9%. Profits attributable to equity holders of the Company amounted to HK$4,825 million, representing a year-on-year increase of 2.4%.

BUSINESS REVIEW

Ports operation

In the first half of 2022, the Group's ports handled a total container throughput of 66.28 million TEUs, down by 0.3% year-on-year. Among them, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 49.39 million TEUs, representing a decrease of 1.0% year-on-year, which was mainly due to the ongoing impact of the recurring pandemic during the period. The Group's overseas ports handled a total container throughput of 16.89 million TEUs, representing an increase of 1.5% year-on-year, which was mainly contributed from Terminal Link SAS ("**Terminal Link**") and the growth in throughput volume of controlled overseas terminals of the Group, including Colombo International Container Terminal Limited ("**CICT**") in Sri Lanka and TCP Participações S.A. ("**TCP**") in Brazil. Bulk cargo volume handled by the Group's ports decreased by 5.3% year-on-year to 269 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 266 million tonnes, representing a decrease of 5.2% year-on-year, which was mainly due to the impact of the unstable pandemic situation in various regions.

The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2022 is as below:

Container Terminals	For the six months ended 30 June **2022** thousand TEUs	2021 thousand TEUs	Year-on-year Changes
Mainland China, Hong Kong and Taiwan	**49,391**	**49,873**	**(1.0%)**
Pearl River Delta region	**9,117**	**9,372**	**(2.7%)**
West Shenzhen Port Zone	5,983	5,786	3.4%
China Merchants Container Services Limited and Modern Terminals Limited	2,501	2,817	(11.2%)
Chu Kong River Trade Terminal Co., Limited	423	547	(22.7%)
Guangdong Yide Port Limited	210	222	(5.4%)
Yangtze River Delta region	**24,273**	**24,636**	**(1.5%)**
Shanghai International Port (Group) Co., Ltd.	22,546	22,939	(1.7%)
Ningbo Daxie China Merchants International Terminals Co., Ltd.	1,727	1,697	1.8%
Bohai Rim region	**13,436**	**13,295**	**1.1%**
Liaoning Port Co., Ltd.	4,685	4,645	0.9%
Qingdao Qianwan United Container Terminal Co., Ltd.	4,432	4,184	5.9%
Tianjin Port Container Terminal Co., Ltd.	4,319	4,466	(3.3%)
Others	**2,565**	**2,570**	**(0.2%)**
Zhanjiang Port (Group) Co., Ltd.	589	578	1.9%
Zhangzhou China Merchants Port Co., Ltd.	136	119	14.3%
Shantou China Merchants Port Group Co., Ltd.	744	923	(19.4%)
Kao Ming Container Terminal Corp.	1,096	950	15.4%
Other locations	**16,887**	**16,632**	**1.5%**
Colombo International Container Terminals Limited	1,617	1,501	7.7%
Lomé Container Terminal S.A.	716	732	(2.2%)
Tin-Can Island Container Terminal Ltd.	136	147	(7.5%)
Port de Djibouti S.A.	303	351	(13.7%)
TCP Participações S.A.	562	539	4.3%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	613	618	(0.8%)
Terminal Link SAS	12,940	12,744	1.5%
Total	**66,278**	**66,505**	**(0.3%)**

Pearl River Delta region

The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 5.98 million TEUs, up by 3.4% year-on-year, which was mainly driven by the effective control of the pandemic during the period and the increase in shipping routes as compared with the corresponding period last year; and handled a bulk cargo volume of 3.99 million tonnes, down by 2.5% year-on-year. Guangdong Yide Port Limited handled a container throughput of 0.21 million TEUs, down by 5.4% year-on-year; and handled a bulk cargo volume of 2.92 million tonnes, representing an increase of 12.4% year-on-year, which was mainly attributed to the business volume driven by the increase in demand for steel and new customers. During the period, affected by the pandemic, the port business volume showed a higher volatility. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 0.42 million TEUs, down by 22.7% year-on-year; and handled a bulk cargo volume of 1.83 million tonnes, representing an increase of 29.4% year-on-year, which was benefitted from the adjustment of the business structure. China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 2.50 million TEUs, down by 11.2% year-on-year, which was mainly due to increasingly stringent pandemic prevention and control measures implemented in the ports as a result of the severe local pandemic situations.

Yangtze River Delta region

Affected by the pandemic in April and May 2022, Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 22.55 million TEUs, down by 1.7% year-on-year; and handled a bulk cargo volume of 30.11 million tonnes, representing a decrease of 32.5% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.73 million TEUs, up by 1.8% year-on-year.

Bohai Rim region

In the first half of 2022, Liaoning Port Company Limited handled a container throughput of 4.69 million TEUs, up by 0.9% year-on-year; and handled a bulk cargo volume of 127.62 million tonnes, down by 1.6% year-on-year. Benefitted from the increase in international and domestic shipping routes, Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 4.43 million TEUs, representing an increase of 5.9% year-on-year; Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 8.63 million tonnes, down by 5.8% year-on-year. Owing to the business growth in the iron ore market, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 38.66 million tonnes, up by 14.6% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 4.32 million TEUs, representing a decrease of 3.3% year-on-year.

South-East region of Mainland China

As the domestic shipping routes were affected by the pandemic, Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.74 million TEUs, down by 19.4% year-on-year; and handled a bulk cargo volume of 1.51 million tonnes, down by 6.6% year-on-year. Benefitting from the increase in business volume due to further exploration of laden box sources in the hinterland, Zhangzhou China Merchants Port Co., Ltd., located in the Xiamen Bay Economic Zone, handled a container throughput of 0.14 million TEUs, increased by 14.3% year-on-year, and handled a bulk cargo volume of 4.39 million tonnes, up by 1.9% year-on-year. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 3.22 million tonnes, up by 34.8% year-on-year, which was mainly attributable to the stable supply of sandstone due to the newly added production capacity of sandstone processing enterprises in the hinterland.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.59 million TEUs, up by 1.9% year-on-year; and handled a bulk cargo volume of 43.12 million tonnes, down by 8.3% year-on-year, which was mainly affected by the price inversion of domestic and foreign coal trade as well as the rising raw material prices.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung, Taiwan handled a total container throughput of 1.10 million TEUs, representing an increase of 15.4% year-on-year, which was mainly because containers from ports in Taiwan were diverted to and handled by the terminal.

Overseas operation

During the first half of 2022, a total container throughput handled by the Group's overseas projects increased by 1.5% year-on-year to 16.89 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 1.62 million TEUs, up by 7.7% year-on-year, which was mainly benefitted from the increase in transshipment box volume. Hambantota International Port Group (Private) Limited ("**HIPG**") handled a bulk cargo volume of 0.79 million tonnes, decreased by 0.1% year-on-year; and its RORO terminal handled 0.266 million vehicles, down by 5.2% year-on-year. Benefitted from the gradual economic recovery in Brazil and the newly added shipping routes, TCP in Brazil handled a container throughput of 0.56 million TEUs, up by 4.3% year-on-year. Container throughput handled by Lomé Container Terminal S.A. in Togo decreased by 2.2% year-on-year to 0.72 million TEUs, which was mainly due to the regional impact of shipping routes under the pandemic. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.14 million TEUs, representing a decrease of 7.5% year-on-year, which was mainly because the import was affected by the depreciation of Naira. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.30 million TEUs, down by 13.7% year-on-year; and handled a bulk cargo volume of 2.38 million tonnes, down by 8.4% year-on-year, which was mainly affected by the continuing pandemic in its hinterland Ethiopia, resulting in weak economic growth. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.61 million TEUs, representing a decrease of 0.8% year-on-year; while bulk cargo volume handled was 0.04 million tonnes, down by 54.2% year-on-year, mainly due to the fluctuations in local exchange rates, which had certain impact on Turkey's construction industry. Terminal Link handled a container throughput of 12.94 million TEUs, up by 1.5% year-on-year.

Strategic deployments in the ports operation

In the first half of 2022, the Group adapted to the new environment and adopted the new operating philosophy. In pursuit of "endogenous growth" and "innovation and transformation", it steadily supported world-class and high-quality construction and delivered the following operational outcomes in seven key aspects, namely the development of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management, as well as marketing and commerce.

There are three highlights of the Group's business operation. First of all, the Group achieved steady growth in the container business at the West Shenzhen homebase port and its efforts in technology empowerment met initial success amidst the recurrence of the pandemic in the first half of 2022. Leveraging its position as a major international hub port, the West Shenzhen Port Zone established the "Global Fruit & Vegetables Inbound Digital Trade Center" to offer efficient, convenient and standardised platform services throughout the whole process of online transactions for fruit and vegetable customers at the port, which continuously facilitated its development into the largest gateway port for fruit in Southern China. Secondly, the Group always attached great importance to and strictly complied with anti-epidemic requirements. The Group applied a scientific approach to the recurrence of pandemic and emphasised the importance of maintaining "solid pandemic prevention and control measures, well-organised anti-pandemic procedures on production and operation". During the Shenzhen outbreak in March 2022, the West Shenzhen homebase port responded with scientific and targeted measures in a balanced, holistic and precise manner. Meanwhile, the Group also actively provided supplies and assistance to Hong Kong in support of the fight against COVID-19, and strived to facilitate goods supply to Hong Kong in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") and ensure stable and smooth ports operation of the cargo transportation and logistics supply chain. Currently, the West Shenzhen homebase port had become the port of the shortest distance and time of transport, the highest frequency of shipping and the largest transportation capacity from Shenzhen to Hong Kong. Thirdly, the Group devoted substantial efforts to smart port construction with a focus on nine major intelligent elements, namely the "CMCore", "CM ePort", automation technology, intelligent customs, 5G applications, blockchain, Beidou system, artificial intelligence application, and green and low-carbon development in order to establish the "Mawan Smart Port", which was the first 5G green and low carbon smart port in the Greater Bay Area. Following the launch of 38 unmanned 5G container trucks for terminal operation, the Group formed the largest fleet of unmanned container trucks at sole terminal nationwide and worldwide. The Mawan Smart Port became China's first demonstration project for "5G+ intelligent unmanned container trucks application". The "CMCore" operating system ended the monopoly of foreign software in the field of terminal operation and management system and successfully realised promotion and application at domestic and overseas terminals, representing a breakthrough of China's port system. The Mawan Smart Port is an exemplar for transforming traditional terminals into more efficient, safer and greener unmanned smart terminals. The Group embarked a new journey of building up the ports equipped with technologies and formed a comprehensive smart port solutions with "China Merchants characteristics". In the first year of operation, the Mawan Smart Port received 3,710 vessels, and its container throughput reached 1 million TEUs with 28 new shipping routes.

As for homebase port construction, the Group adhered to the strategic objective of "building world-class leading ports" to further improve the comprehensive competitiveness of the West Shenzhen homebase port as a world-class port and strengthen the position of the overseas homebase port in Sri Lanka as the key hub in South Asia, so as to advance the development of leading ports. The West Shenzhen Port Zone comprehensively enhanced its overall competitiveness by offering better customer services, expanding ancillary and value-added services, strengthening the foundation of management, and optimising resource allocation. The first half of 2022 marked the first anniversary since the Mawan Smart Port was officially put into operation, which continued to strengthen the core competitiveness of the West Shenzhen Port Zone through efficient and smart operations. Meanwhile, the Group accelerated the development of coordinated ports in the Greater Bay Area by its "Coordinated Ports Model" covering the river ports in the Pearl River Delta region from the centre of the West Shenzhen Port Zone, and aimed to establish multimodal transport channels in the Greater Bay Area, so as to realise the free flow of foreign trade goods among port clusters in the area. During the period, the Group set up 20 coordinated ports to aid the smooth and stable operation of the logistics, industry and supply chains. The "Coordinated Ports Model" not only increased logistics efficiency, but also reduced transportation costs. Accordingly, the time required for water-to-water transhipment of imported and exported containers was reduced by 60% from 5-7 days to 2 days, which helped the cargo owner to save approximately 30% of the customs costs. The Group maintained the safety and orderly inflow and outflow of commodities and resources by offering services to domestic and foreign trades, and fully participated and adapted to the new development featuring "the dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay". Looking forward, the West Shenzhen homebase port will facilitate the construction of the cargo transportation system and the green logistics ecosystem to boost the efficiency in customs clearance, and further expand navigation, cargo transportation and logistics capabilities. In terms of the overseas homebase ports, the Group will continuously upgrade the integrated operation and management of HIPG and CICT, and promote the coordinated development of these two ports to support the comprehensive development of major projects, thereby strengthening its regional competitiveness and influence in all respects.

Regarding overseas business, the Group kept abreast of changes in the global economy and trade environment and stayed in line with the trends in the port and shipping logistics industry. Capitalising on the Djibouti Port and the Djibouti International Free Trade Zone, the Group integrated the warehousing resources in existing ports and extended the "end-to-end" port services to build up the new whole-process logistics model of "express sea and air freight between China and Africa" which explored the whole logistics solution with direct access to cargo owners and offered better comprehensive logistics solutions to customers. To ensure the stable operation of overseas businesses, the Group optimised the overseas project control procedures, refined the overseas project management system, and improved the operating quality and efficiency of overseas terminals.

In terms of innovative development, the Group implemented the innovation strategic plan. Taking into account the development needs of the industry and the trend of technological advancement, the Group promoted the digitalisation transformation and smart upgrade of ports through the "CMCore" and "CM ePort". As the leading technology for port operation systems, the "CMCore" comprised the Container Terminal Operation System (CTOS), the Bulk Cargo Terminal Operation System (BTOS) and the Logistic Park Operation System (LPOS). The "CMCore" was fully adopted at domestic and overseas terminals controlled by the Group to enhance the core competitiveness of modern ports in an all-round manner. On the other hand, the "CM ePort" is a comprehensive digital service platform for the port and shipping logistics industry that was developed based on the Group's global ports network, and integrated the container ports, shipping, logistics and third-party e-commerce platforms to offer smart logistics, smart customs as well as smart financial and commerce services. The "CM ePort" aimed at building a smart port ecosystem and facilitating transactions among logistics parties on the platform to increase operational efficiency, introduce new port services and develop innovative port business models. Currently, the Group has commenced a pilot program of "CM ePort" in the West Shenzhen homebase port to explore new service models for cargo owners by the online platform of container truck assistant service. In June 2022, the Group launched the CTOS system at the Thessaloniki Port in Greece, which covered more than 60 operating procedures and over 20 transaction types at the port. In addition, the Smart Management Platform ("**SMP**") was officially deployed as the Group's digital management portal in April 2022.

With respect to comprehensive development, the Group was committed to optimising the global network layout and the business synergies for overseas projects, while intensely pushing forward the "Port-Park-City" model for overseas business. During the period, the promotion of induction of business and investment for overseas logistic parks continued to progress steadily despite the adverse impact of the continuous spread of the pandemic. 37 contracted enterprises moved into the HIPG industrial zone. The Group also secured the project with INSEE, which was the largest cement manufacturer of Sri Lanka in terms of production scale. As a result, the Group gradually formed the 6+N industry layout comprising home appliances, electronics and electrical appliances, rubber tyres, new energy vehicles, new materials, and textile and garment, and other industries. 237 contracted enterprises moved into the Djibouti International Free Trade Zone. The Group partnered with Liaocheng in Shandong to establish the Djibouti Liaocheng Product Distribution Centre and the Djibouti "Made by Liaocheng" Online and Offline Product Showcase Centre for Cross-border E-commerce, which supported the steady growth in foreign trade business of domestic enterprises and strengthened the momentum to the industry ecosystem at the Djibouti Port and the Djibouti International Free Trade Zone.

As for operation management, the Group continued to implement its strategy towards "empowerment, professionalism and value". Based on the five core elements of "management standard, teams of experts, closed-loop procedure, information system and benchmarking enhancement", the Group comprehensively promoted the construction of the "Digital CM Port". In the first half of the year, the Group launched the SMP platform which combined the management systems for the business process and information sharing module to form an integrated platform covering the whole process, all scenarios and entire system of the business. Hence, the Group could achieve full digital management of the business process. For the intelligent analysis and decision-making supporting module, the Group presented and analysed core business data globally to create the one-stop operational dashboard for decision-making, management and execution purposes, which facilitated management decision-making. Combining the top-level design and the iterative development model, the SMP platform encouraged changes in operating and management practices, models and philosophy driven by digital technology and the use of intelligent tools.

Regarding capital operation, the Group focused on improving asset quality and structure. In March 2022, the Group completed the acquisition of 14.6% equity interests in Asia Airfreight Terminal Company Limited ("**AAT**") to 34.6%. AAT was one of the three air cargo terminal concessionaires franchise awarded by the Airport Authority Hong Kong. Hence, the increase in shareholding in AAT helped create synergies among the Group's terminal operation, bonded warehousing and Hong Kong Airport businesses. It also provided more room for growth for the Group's airport business and facilitated the development of the logistics and supply chain in the Greater Bay Area. In April 2022, the Group acquired an aggregate of 329 million shares of SIPG. Up to 30 June 2022, the Group's shareholding percentage in SIPG went up from 26.64% to 28.05%. The acquisition was made mainly based on the financial performance and the prospects of SIPG, which allowed the Group to utilise the available funds for a return.

In terms of marketing and commerce, the Group continued to cooperate with major shipping companies and strengthened customer relationship management. The Group kept close tabs on the development of the global port and shipping industry, optimised business planning and management, and further improved port operations and cooperation projects. Leveraging the substantial improvement of infrastructure at the Mawan Smart Port and the all-day channel with 200,000-ton capacity, as well as the "Coordinated Port Model" that covered the river ports in the Pearl River Delta region, the Group enhanced marketing and business promotion in the West Shenzhen Port Zone. During the period, the Group introduced new shipping routes and increased its market share in South China.

Bonded logistics operation

In the first half of 2022, the Group's bonded logistics business continued to pursue the development direction of diversifying integrated services and enhanced the utilisation rate of resources at existing warehouses and yards, so as to respond to market changes and the unstable situation under the pandemic. The average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen reached 99%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. fully utilised its resources to develop the self-operated business and its average utilisation rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 71% of its warehouses. In the Djibouti International Free Trade Zone, the average utilisation rate of the bonded warehouse, which the Group invested in, was 100%, and for the wholly-owned bonded warehouse of the Group, it recorded an average utilisation rate of 90%.

In the first half of 2022, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.80 million tonnes, down by 9.2% year-on-year. AAT, which is an associate of the Group, handled a total cargo volume of 0.37 million tonnes, representing a decrease of 10.2% year-on-year and a market share of 20.7%, down by 0.2 percentage point as compared with the corresponding period last year.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group recorded revenue of HK$6,508 million, up 14.9% year-on-year, which was mainly due to the increase in both the business volume and tariff of ports operation. Profits attributable to equity holders of the Company amounted to HK$4,825 million, representing an increase of 2.4% year-on-year, while the amount of the corresponding period of last year included a gain of HK$450 million (net of tax) on the Group's deemed disposal of partial interest in an associate. The recurrent profit [Note1] increased by 9.8% year-on-year to HK$4,974 million, which was due to the combined effect of the increase in revenue and increase in share of profits of associates of the Group.

Total assets of the Group slightly decreased by 1.3% from HK$178,690 million as at 31 December 2021 to HK$176,419 million as at 30 June 2022. The total liabilities of the Group slightly decreased by 0.4% from HK$53,892 million as at 31 December 2021 to HK$53,650 million as at 30 June 2022. As at 30 June 2022, net assets attributable to equity holders of the Company was HK$96,640 million, slightly down by 1.7% as compared to that as at 31 December 2021. This was mainly attributed to the losses on translation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

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 has been recognised in the reserve of the Group. The Group has developed a sound foreign exchange rate risk management mechanism to prevent the impact arising from foreign exchange rate fluctuation on the Group, and thus maintaining foreign exchange risk at a manageable level.

In general, the Group's ports operation continued to yield stable cash inflow. For the six months ended 30 June 2022, the Group's net cash inflow from operating activities amounted to HK$3,837 million, a decrease of 9.4% as compared with the corresponding period of last year, among which, the receipt of cash dividends from associates and joint ventures were HK$716 million, a decrease of 59.5% as compared with corresponding period of last year. Due to the increase in capital expenditure on business acquisitions as compared to the same period last year, the Group's net cash outflow from investment activities increased from HK$1,597 million for the same period last year to HK$1,952 million for the current period. At the same time, in June 2022, the Group issued the US$500 million guaranteed listed notes maturing in 2027, the Group's net cash outflow from financing activities decreased from HK$6,183 million for the same period last year to HK$2,717 million for the current period.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent losses/gains after tax. Non-recurrent losses/gains include: for the first half of 2022, net changes in fair value of financial assets at fair value through profit or loss, net changes in fair value of investment properties and loss on deemed disposal of partial interest in an associate; while for the first half of 2021, net changes in fair value of financial assets and liabilities at fair value through profit or loss, net changes in fair value of investment properties, gain on deemed disposal of a subsidiary and gain on deemed disposal of partial interest in an associate.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2022, the Group had approximately HK$8,855 million in cash and bank balances, 2.5% of which was denominated in Hong Kong dollar, 17.2% in United States dollar, 60.4% in Renminbi, 10.9% in Euro, 8.0% in Brazilian Real and 1.0% 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$3,837 million in total.

During the period, the Group incurred capital expenditure amounting to HK$517 million, while the Group adopted a prudent financial policy and maintained 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 of HK$24,901 million, 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 2022, the Company had 3,785,619,729 shares in issue. In July 2022, the Company issued 152,649,783 shares under the Company's scrip dividend scheme.

As at 30 June 2022, the Group's net gearing ratio [Note 2] was approximately 22.2%.

The Group had aggregate bank loans, listed notes payable and perpetual capital securities of HK$23,298 million as at 30 June 2022 that contain customary cross default provisions.

Note 2 Net interest-bearing debts and lease liabilities divided by total equity.

As at 30 June 2022, the Group's outstanding bank and other borrowings amounted to HK$35,085 million (as at 31 December 2021: HK$36,782 million). The analysis is as below:

	30 June 2022 *HK$'million*	**31 December 2021** *HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	7,730	5,730
Between 1 and 2 years	1,657	1,169
Between 2 and 5 years	2,683	2,866
More than 5 years	760	938
	12,830	10,703
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	59	61
Between 1 and 2 years	—	820
Between 2 and 5 years	—	31
More than 5 years	29	—
	88	912
Floating-rate listed notes payable which are repayable:		
In 2022	446	411
Fixed-rate listed notes payable which are repayable:		
In 2022	—	3,896
In 2023	7,050	6,998
In 2025	3,915	3,888
In 2027	3,909	—
In 2028	4,666	4,633
	19,540	19,415

	30 June 2022 *HK$'million*	31 December 2021 *HK$'million*
Fixed-rate unlisted notes payable which are repayable:		
In 2022	—	3,062
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	59	77
Between 1 and 2 years	228	—
Between 2 and 5 years	—	239
More than 5 years	143	145
	430	461
Loan from immediate holding company		
Repayable within 1 year	1,500	1,314
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	251	504

Note: All loans are unsecured except for the secured bank loans of HK$1,923 million (31 December 2021: HK$2,307 million).

The bank and other borrowings are denominated in the following currencies:

	Bank loans	Notes payable	Loans from a fellow subsidiary	Loan from immediate holding company	Loan from a non-controlling equity holder of a subsidiary	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
As at 30 June 2022						
HKD & USD	5,256	19,540	—	—	—	24,796
RMB	6,778	—	430	1,500	—	8,708
EURO	555	—	—	—	251	806
Brazilian Real	329	446	—	—	—	775
	12,918	19,986	430	1,500	251	35,085
As at 31 December 2021						
HKD & USD	6,978	19,415	—	—	—	26,393
RMB	3,605	3,062	461	1,314	—	8,442
EURO	780	—	—	—	504	1,284
Brazilian Real	252	411	—	—	—	663
	11,615	22,888	461	1,314	504	36,782

ASSETS CHARGE

As at 30 June 2022, bank loans of HK$631 million (31 December 2021: HK$619 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$334 million (31 December 2021: HK$356 million) and right-of-use assets with carrying value of HK$217 million (31 December 2021: HK$230 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$1,292 million (31 December 2021: HK$1,688 million).

EMPLOYEES AND REMUNERATION

As at 30 June 2022, the Group employed 8,562 fulltime staff, of which 184 worked in Hong Kong, 5,466 worked in Mainland China, and the remaining 2,912 worked overseas. The remuneration paid by the Group during the period amounted to HK$1,126 million, representing 27.4% of the total operating expenses of the Group.

In the first half of 2022, the Group continued to explore effective ways of talent management, and optimised and improved the cultivation, utilisation and incentive mechanisms by implementing a series of initiatives with a view to facilitating growth of talents, making the best use of its talents and bringing their strengths into full performance. Besides, the Group conducted comprehensive talent review and analysis to meet needs of its strategic development, clarify the objectives of its talent planning, optimise the talent structure, and strengthen the orientation towards professional and young talents, so as to support business innovation and transformation. In terms of talent recruitment and appointment, the Group has broadened the vision of selection and employment of talents and enriched the channels of talent recruitment with a focus on recruitment of high-caliber interdisciplinary talents in fields such as strategic development, business innovation and core technologies. We also stimulated the vitality of talents and achieved management enhancement and talent empowerment by improving our market-based talent selection and reserve mechanism. Meanwhile, we had fully implemented the tenure system and contract-based management of managers, thereby realizing full coverage of and solid commitment to such system and management approach with performance of service contracts under specific terms of employment. For talent cultivation, the Group clearly defined the targets of its talent demand to closely tie in with the needs of business development, and implemented a hierarchical and categorised training system based on the types of positions and characteristics of talents. In terms of remuneration and incentives, the Group adhered to the principle of ensuring efficiency while giving consideration to fairness at the same time. With value of position, results performance and level of ability as the core orientation of remuneration, the Group further improved the assessment and evaluation system and enhanced the application of assessment results to further improve the efficiency of resource allocation.

During the period, the complicated global pandemic situation remained grim. The Group took to heart the physical and mental health of the frontline employees from multiple dimensions, including the launch of health management platform for overseas employees of the Group, provision of anti-pandemic supplies, grant of anti-pandemic subsidies, and selection for special awards through appraisal, which not only facilitated the prevention and control of the pandemic, but also fostered a harmonious and warm working environment.

CORPORATE SOCIAL RESPONSIBILITY

Persisting with the philosophy of "lucid waters and lush mountains are invaluable assets (綠水青山就是金山銀山)", the Group strictly implemented the deployment to align with the national policies in relation to energy conservation and environmental protection, strengthen the mind and awareness of the red line for environmental protection, and proactively undertook the proper prevention of climate risks and dual control on energy intensity and total consumption. In addition, the Group solved the outstanding problems arising from environmental pollution by enhancing the foundation and rectifying the weakness, thereby making contributions for steady energy conservation and environmental protection. In active response to the national strategies of "carbon peaking" and "carbon neutrality" and policies of low carbon and energy conservation, the Group devoted great effort in promoting the construction of green and low-carbon ports, and continued to improve the results of energy conservation and emission reduction and its environmental management system. The Group has also stepped up its efforts in environmental protection year by year to enhance the identification of and response to climate risks. Continuing to promote the development of clean and low-carbon energy, the Group advocated the advanced concepts of green and environmental protection and promoted intelligent development so as to make contributions for the goals of "carbon peaking" and "carbon neutrality".

Firstly, the Group strengthened the environmental management by continuously enhancing the top level design of the overall strategies and the development of the organisational leadership system. The Group strengthened the management on the potential risks monitoring of environmental issues in order to effectively perform its environmental responsibilities and continued to strengthen the prevention and treatment of pollution during production and operation, promote recycling and re-use of resources, put more efforts in protection of biodiversity, actively develop the new ecology of a green industry and ports. With regard to conservation of resources, the Group actively followed the national call for the development of the resource-conservation based enterprises, the Group promoted and encouraged water and power saving by employees as well as paperless office in order to integrate the concept of green office into its daily operation. As the Group firmly progressed the management of energy conservation and emission reduction, the West Shenzhen Port Zone received the most prestigious award as one of the first 4-star "China Green Ports (中國綠色港口)" in China. In terms of protection of biodiversity, the Group placed high emphasis on the harmony and symbiosis between enterprises and the ecological and environmental system in the location where they operated, continued to conduct activities of ecological compensation including enhanced breeding and releasing, monitored and protected whales, turtles and grass reserve. For new construction projects, assessments were made in strict compliance with the relevant requirements in terms of site selection and their environmental impacts, the Group aimed to minimise the impacts on the surrounding environment and promote the sustainable development of the marine business. Secondly, the Group identified climate risks. Upholding the guidance concept for typhoon prevention of "prevention-focused, people-oriented, upgraded technology, comprehensive governance", the Group facilitated the establishment of the commanding platform for emergencies, formulated information exchange mechanism with the local meteorological departments leveraging the weather alert system, so as to increase the ability in risk alert and aversion for emergent climate. Thirdly, the Group promoted the development of clean and low-carbon energy. The Group focused its endeavors in expanding the use of clean energy and development of low-carbon technologies, continued to promote innovative energy-saving technologies and products such as distributed photovoltaic power generation, energy-saving lighting renovation, permanent magnet motor, "substitution of fuel powered equipment with electricity-powered equipment" (油改電) and "shore-powered supply for vessels"(船舶岸基供電). As such, the Group not only contributed intelligence and experience for green maritime transportation, but also demonstrated the concept of green, energy-saving and environmental development with concrete actions in a bid to advance the development of green shipping. The Group actively explored the application of "hydrogen" fuel trailers, and introduced the first "demonstration port for hydrogen energy" in China, which is of guiding significance for the industry. Fourthly, the Group achieved breakthroughs in the development of smart operation. The "Mawan Smart Port", a fully automated port with nearly zero carbon emission, was established by the Group successfully, which has become the first demonstration project of 5G+ unmanned container truck application at ports in China. Moreover, the Group promoted the digitalization and smart upgrade of ports through the "CMCore", "CM ePort" and "SMP", so as to explore the construction of smart management platform for green ports.

In the first half of 2022, the Group further developed the "Shaping Blue Dreams Together (C-Blue)" charity brand. With the support of China Merchants Charitable Foundation, "China Merchant Silk Road Hope Village (招商絲路愛心村)" project, which was jointly promoted by CICT and HIPG, had fruitful achievements in Pannila village and Kenda village, Sri Lanka. Against the economic crisis and social unrest in Sri Lanka, materials, technology know-how and hope were delivered by the Group to the local people to realise "self-supporting development" instead of "development relying on external parties", such relief illustrated that the Group explored the path of sustainable development for the poor villages overseas. In Mainland China, the Group proactively conducted various volunteer services such as civil volunteer convenience services, caring for left-behind children and "Love for Spring Sprouts (春風護苗)" volunteer services, "help and assistance (微幫扶)" for labors' family members in their local communities, community convenience services and community mass nucleic acid testing. Volunteer team from the South China Container Terminal of the Group have conducted a total of 153 volunteer services for nucleic acid testing, in which 2,278 persons have participated at a total service time of 3,417 hours, and 489 thousand people have been served, thereby making key contributions for pandemic containment and safeguard and facilitating the effective implementation of the "regularised pandemic prevention and control" policy. Further exploring the fruitful results of the campaign of "doing practical things for people to satisfy their needs", Ningbo Daxie organised volunteer services with its employees visiting the local communities, which were well recognised by the local residents.

FUTURE PROSPECTS

Looking forward into the second half of 2022, with the gradually fading impacts of the COVID-19 pandemic on the economy, developed countries will expand the scale of production and investment in an orderly manner. Coupling with the huge productivity to be offered by the emerging markets and the developing economies, the global economic growth is expected to improve. However, the medium to long term impact from the geopolitical risks and the Russia-Ukraine conflict continues to pose some uncertainties on the global economy and trade. In addition, risk factors such as restructuring of industrial chains and supply chains in regions of Europe and the United States, interest rate risks under the tightening fiscal policy of the United States, substantial fluctuations of international exchange rates, price hikes of crude oil and commodity and political turmoil in the emerging markets and the developing economies will threaten the global economic recovery with disruptions and challenges. The IMF predicted the global economy to grow by 3.2% in 2022, representing a decrease of 2.9 percentage points as compared to that of 2021. In particular, the developed economies will grow by 2.5%, down by 2.7 percentage points as compared to that of 2021; and the emerging markets and developing economies will grow by 3.6%, down by 3.2 percentage points year-on-year. Global trade volume (including goods and services) will grow by 4.1%, down by 6 percentage points year-on-year.

In the second half of 2022, the COVID-19 pandemic and international environment will tend to be more critical and complex, and China's foreign trade development will continue to face instability and some uncertainties as well as pressure on the goal of ensuring stability and enhancing quality. Nevertheless, the positive fundamentals of China will remain unchanged in the long run regarding its strong economic resilience and considerable potential. To drive its economy and industries to enter the stage of high-quality development, China will further accelerate the building of the new development paradigm featuring "dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay". In the second half of the year, various economic stabilisation policies of China will be further launched and take effect. The advantages of the omni-channel industrial chain will gradually exhibit their strong resilience, release the huge potential and give full play to the market advantages of large economies of scale. China's economy will maintain its positive momentum of sound and sustainable development. Along with the unfolding effective results of pandemic containment under highly efficient coordination as well as socioeconomic development, China's export growth in the second half of 2022 is expected to experience a steady growth. The IMF predicts in its "World Economic Outlook" released in July 2022 that China's economy will grow by 3.3% in 2022, and will continue to outperform the developed economies in terms of growth rate.

Based on the above analysis and judgements, in the second half of 2022, the Group will adhere to the keynote of seeking progress while maintaining stability, tapping the new trends and implementing the new concepts. Driven by the principles of "endogenous growth" and "innovation and transformation", the Group will steadily promote the world-class construction projects with high quality and strengthen the comprehensive service capabilities of supply chain. The Group will strive to realise its strategic goal of becoming a "world's leading comprehensive port service provider" with high quality via improving digitalisation, marketisation, internationalisation, platformisation and refinement.

In terms of the construction of homebase ports, the West Shenzhen Port Zone will closely follow the strategic goal of making China a strong transportation country and continuously improve its service quality. The West Shenzhen Port Zone will refine infrastructure construction, continue to strengthen the construction of the blockchain platform for logistics and trade facilitation to fully improve various comprehensive capabilities. In the second half of 2022, the Mawan Smart Port will further deepen its integrated operation, and continue to optimise and adjust the unmanned container trucks project, and form a smart port with the characteristics of the Group. In terms of overseas homebase ports, the Group will continue to improve the development plan of overseas homebase ports via deepening integrated operations. The Group will leverage its advantages of ports interaction and strengthen the cooperation with shipping companies to develop it into international shipping hubs in South Asia.

In respect of overseas business, the Group will continue to optimise its overseas presence and enhance the comprehensive development of its overseas business. Leveraging the regional influence of its overseas terminals, the Group will strengthen regional market expansion, and continue to promote port-vicinity industry projects. Through improving overseas management systems to enhance the management efficiency for overseas projects, the Group will strive to strengthen the quality and efficiency of overseas terminals, and improve the income of overseas business.

In terms of comprehensive development, the Group will closely adapt to the changes in the global trade environment, and focus on the innovation of business models and profit models and exploration of the value of resources. Apart from improving quality of services to existing customers and increasing customer stickiness, the Group will actively seek overseas investment partners and enterprises to continuously advance the construction of key projects such as port-vicinity industrial parks, comprehensive parks and free trade zones. The Group will also utilise new digital technology to seek breakthroughs in induction of business and investment and enhance the industrial agglomeration capacity and regional influence of various projects.

Regarding innovative development, the Group will focus on industrial transformation and upgrade driven by innovation and technology empowerment. To extend the first growth curve, the Group will put greater efforts in making breakthroughs for key and core technologies, so as to enhance the quality and efficiency of main business with the aid of technology. To cultivate the second growth curve, the Group will push forward the innovation of business models and transform from “volume economy” into “value economy”. The Group will expand presence in the emerging industries and actively explore new technology-related business with high growth. Accordingly, the Group will formulate the investment layout strategic plan for the sectors such as green port and smart port.

In respect of capital operation, the Group constantly strives to optimise domestic and overseas asset structure to reduce investment risks. In line with the strategies of the Group and the directions of “innovation-driven endogenous growth” and “balanced development of businesses with light and heavy asset”, the Group will strive to improve its capital operation plans, asset allocation and endogenous growth in order to enhance shareholder returns.

In terms of operation management, the Group will continue to improve the management system for various business lines to enhance its overall operation and management. Focusing on the Group's strategies, the Group will continue to strengthen management and control optimisation for improvement of management efficiency. The Group will promote the implementation and application of its management system on the entire lifecycle for its assets and strengthen the control over major projects. By building the smart operation management system to improve the management standards for various operations, the Group will develop a world-class operation and management system that sustainably creates value, as well as a value-oriented management headquarters in a bid to promote its world-class operation and management system that sustainably creates value to a new level.

With regard to marketing and commerce, the Group will maintain the cooperation with major shipping companies and strengthen interaction with end-customers in order to further enhance its capability in business coordination and management. Meanwhile, in line with China's dual circulation model, the Group will further stabilise and develop the business in respect of the interconnected terminals in Northern and Southern China, and continue to expand new domestic and overseas shipping routes. The Group will enhance its core competitiveness in the regions and around the world via strengthening multi-dimensional cooperation within the industry.

In 2022, uncertainties in global economy and trade will remain, including the economic recession arising from the global "stagflation", impacts from the Russia-Ukraine conflict, the political instability of the emerging markets and debt crisis, etc. With the mutual efforts and successive launch of specific policies of various countries globally, the global economy and trade is expected to recover with growth momentum in the second half of 2022, which will present opportunities for the growth of ports operation. Meanwhile, emerging digitalisation technologies will also pave a new development path for the Group to build world-class ports. Staying committed to the strategic guidance, the Group will take initiative in seeking opportunities, navigate through uncertainties over the economy and trade, and proactively explore reform and innovation to release its endogenous potential. Furthermore, the Group will constantly enhance its core competitiveness and overall profitability to maximise the interests of its shareholders as the top priority and generate value for all stakeholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the four 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 2022.

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 HKSE 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 Board, the Company has complied with the code provisions set out in part 2 of the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2022, except the following: -

In respect of Code Provision F.2.2 under the Corporate Governance Code, Mr. Deng Renjie, the Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2022 due to business trip. Mr. Yim Kong, the Executive Director and the then Managing Director of the Company, took chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, the Chairman of the Audit Committee and other Board members and the external auditor were present at the annual general meeting of the Company held on 2 June 2022 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 HKSE

The 2022 interim report will be despatched to shareholders and published on the website of the HKSE 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
Deng Renjie
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises Mr. Deng Renjie, Mr. Wang Xiufeng, Mr. Yim Kong, Mr. Liu Weiwu, Mr. Deng Weidong, Mr. Yang Guolin and Mr. Xu Song as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.