招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

Stock Code 股份代號：00144

INTERIM REPORT
中期報告 2011

2011

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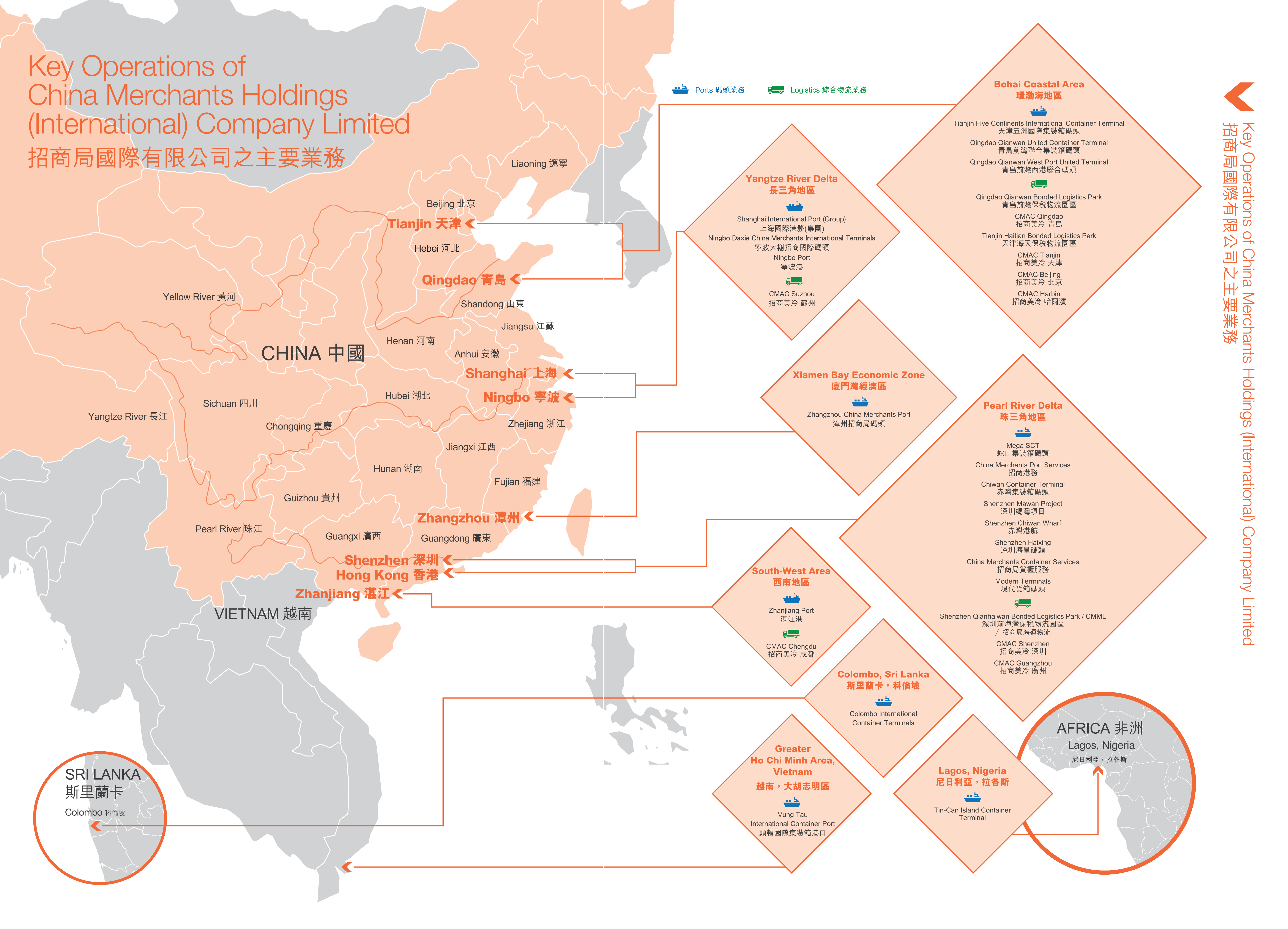

Corporate Information

BOARD OF DIRECTORS

Dr. Fu Yuning *(Chairman)*
Mr. Li Jianhong *(Vice Chairman)*
Mr. Li Yinquan
Mr. Hu Zheng
Mr. Meng Xi
Mr. Su Xingang
Mr. Yu Liming
Mr. Hu Jianhua *(Managing Director)*
Mr. Wang Hong
Mr. Liu Yunshu
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis*

* *independent non-executive director*

REGISTERED OFFICE

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

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER

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

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.cmhi.com.hk

Financial Highlights

For the six months ended 30 June 2011

	2011 HK$'million	2010 HK$'million	Changes
Consolidated income statement highlights			
Revenue[1]	**20,859**	12,142	71.8%
Profit attributable to equity holders of the Company	**3,906**	1,929	102.5%
Non-recurrent gains, net of tax[2]	**(1,531)**	(51)	2,902.0%
Recurrent profit	**2,375**	1,878	26.5%
Earnings per share (HK cents)			
Basic	**158.85**	79.25	100.4%
Diluted	**158.25**	79.06	100.2%
Dividend per share (HK cents)			
Interim dividend	**30.00**	25.00	20.0%
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**2,308**	1,307	76.6%

	30 June 2011 HK$'million	31 December 2010 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	**83,602**	78,351	6.7%
Capital and reserves attributable to equity holders of the Company	**41,843**	39,042	7.2%
Net interest bearing debts[3]	**14,391**	15,892	(9.4%)

	2011 HK$'million	2010 HK$'million	Changes
Revenue[1]			
Ports operation	**7,227**	5,931	21.9%
Bonded logistics and cold chain operations	**870**	175	397.1%
Port-related manufacturing operations	**11,750**	6,020	95.2%
Other operations	**1,012**	16	6,225.0%
Total	**20,859**	12,142	71.8%
EBITDA[4]			
Ports operation	**4,057**	3,513	15.5%
Bonded logistics and cold chain operations	**453**	89	409.0%
Port-related manufacturing operations	**1,519**	522	191.0%
Other operations	**376**	67	461.2%
EBITDA	**6,405**	4,191	52.8%
Unallocated net income/(expenses)[6]	**1,314**	(72)	1,925.0%
Net interest expenses[5]	**(597)**	(507)	17.8%
Taxation[5]	**(1,205)**	(543)	121.9%
Depreciation and amortisation[5]	**(1,426)**	(976)	46.1%
Profit for the period	**4,491**	2,093	114.6%
Non-controlling interests	**(585)**	(164)	256.7%
Profit attributable to equity holders of the Company	**3,906**	1,929	102.5%

Notes:

1. Include revenue of the Company, its subsidiaries and share of revenue of its associates and jointly controlled entities.
2. Include increase in fair value of investment properties, net of tax, of HK$300 million (2010: HK$51 million); increase in fair value of financial assets at fair value through profit or loss of HK$8 million (2010: nil), gain on deemed disposal of interest in an associate of HK$1,367 million (2010: nil) and additional provision of HK$144 million deferred taxation upon deemed disposal (2010: nil).
3. Interest bearing debts less cash and cash equivalents.
4. Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests, ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities.
5. Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and jointly controlled entities.
6. Include expenses for corporate function and gain on deemed disposal of interest in an associate in 2011.

Management Discussion and Analysis

Business Review

The rapid rebound in the international maritime industry evidenced in 2010 was faced with renewed pressure in the first half of 2011, caused by the weaker-than-expected recovery in developed economies, inflation risks mounting, sovereign debt crises worsening as well as geopolitic risks intensifying. Although China's imports and exports continue to see double-digit growth, rising production costs and an appreciating Renminbi have adversely impacted the amount of containerised foreign trade passing in and out of China, resulting in the year-on-year growth rate in container through-put volume being significantly lowered as compared to the last corresponding period.

Available data indicates that, in the first half of 2011, Mainland China's ports of significance handled in total 77,700,000 TEUs, up 12.9% year-on-year but a considerable 9.4 percentage points below the corresponding growth rate for the same period last year. Of the major coastal ports in Mainland China, the volume growth rate for those in Southern China lagged behind those in the Yangtze River Delta and in the Bohai Rim. Based on the above comparison the negative effect on ports in Southern China induced by cost increases on the region's productivity is apparent. Unfavourable macro-economic factors and external environment combined have inevitably dampened the through-put of the Group's ports in Southern China, as a result. Nevertheless, benefitted from growth in its ports business in the Yangtze River Delta and the Bohai Rim and in its container manufacturing activities, the Group still achieved significant improvement in its overall operating performance for the first half of 2011, delivering record-high profit attributable to the Company's equity holders and recurrent operating profits.

For the period ended 30 June 2011, profit attributable to equity holders of the Company amounted to HK$3,906 million, representing a significant increase of 102.5% year-on-year. Of this amount, recurrent profit was HK$2,375 million, an increase of 26.5% year-on-year. The Group's ports operation recorded an EBITDA [Note 1] of HK$4,057 million, representing an increase of 15.5% year-on-year and accounting for 63.3% of the total EBITDA of the Group.

In the first half of 2011, the Group recorded revenue of HK$4,196 million, representing an increase of 109.9% year-on-year. Of this amount, revenue derived from the Group's ports operation amounted to HK$3,092 million, an increase of 63.3%.

Ports operation

During the first half of the year, EBIT [Note 2] derived from the Group's ports operation amounted to HK$3,003 million, representing an increase of 10.3% year-on-year and accounting for 60.3% of the total EBIT of the Group, down from 84.6% in the same period last year.

Note 1 Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities.

Note 2 Earnings before net interest expenses, taxation, unallocated income less expenses and non-controlling interests ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities.

During the period under review, the Group's ports handled a total of 27,610,000 TEUs, up 10.8% year-on-year. Of this total, the volume handled by the Group's ports in Mainland China reached 24,380,000 TEUs, an increase of 11.2% over that for the corresponding period. During the first half of 2011, container volume handled by the Group's ports in Mainland China grew slightly less than that of the national average due mainly to the slight decline in the through-put handled by the Group's Shenzhen ports. During the same period, the Group's ports in Hong Kong and outside of China handled a total of 3,230,000 TEUs, an increase of 7.0% year-on-year.

During the period under review, excepting those for Shenzhen and Xiamen, the container through-put of all the Group's ports has maintained its growth momentum. Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU") and Tianjin Five Continents International Container Terminal Co., Ltd. handled 930,000 TEUs and 980,000 TEUs respectively, with QQCTU doubling its through-put year-on-year. The Group's ports in the Yangtze River Delta continued to perform satisfactorily, with Ningbo Daxie China Merchants International Terminals Co., Ltd. and Shanghai International Port (Group) Co., Ltd. maintaining double-digit percentage growth of 13.9% and 10.5% respectively. Zhangzhou China Merchants Port Co., Ltd and Zhanjiang Port (Group) Co., Ltd. handled a total of 360,000 TEUs, achieving approximately the same growth rate as that for the same period last year. Chu Kong River Trade Terminal Company Limited ("CKRTT") and Tin-Can Island Container Terminal Limited ("TICT") in Nigeria, stakes in which the Group acquired in 2011 and 2010 respectively, contributed a total of 580,000 TEUs. TICT, in addition, achieved a significant volume increase of 42% when compared to that of the corresponding period (before the Group acquired the stake).

Excluding those of CKRTT and TICT, container volume handled by the Group's ports during the first half of 2011 grew 8.5% over that for the corresponding period last year.

The Group handled 160,510,000 tonnes in bulk cargo volume in the first half of 2011, up 18.5% year-on-year. Except for ports in the Pearl River Delta which recorded a volume drop of 7.9% compared to that of the corresponding period due to shifts in cargo product mix, volumes of bulk cargoes handled in other regions have all shown a satisfactory double-digit percentage growth.

The worsening sovereign debt crises that have greatly disturbed the speed at which global economy recovers and combined with continuing geopolitical disputes have seen global economic growth during the first half of 2011 progress slower than expected and global trade growth is anticipated to retract from 2010's historical high. Slowing trade growth, rising operating costs and excessive carrying capacity from new vessel launches have collectively caused the international maritime industry to rapidly set back, resulting in some carriers again incurring financial losses and hence subjecting the operating environment for ports to tension again. Compounding such market conditions with escalating tax rates applicable to some of the Group's ports have added considerable pressure to the Group's ports business.

In response to challenges and pressure, the Group's priorities for business promotion during the first half of 2011 were to accelerate its efforts to improve the connectivity of regional feeder networks, and to explore investment opportunities, or to pursue further cooperation, with other localised port companies. As regards to internal operational improvements, through continuing control measures to refine operational procedures, reduce wear and tear on equipment, enhance labour productivity, enhance operational cost structures and expand control on sub-contractors management, the Group has effectively mitigated a great deal of turbulence caused by the market's abrupt downturn and rapid cost escalation that could lead to the Group's business declining significantly.

The Group sees the nurturing of a comprehensively-connected shuttle barge network in the Pearl River Delta as essential to substantiate the competitiveness of its Shenzhen ports. Leveraging on the geographical advantage of the Shenzhen Western Port Zone and its proximity to the river network, the Group has continued to fortify its influence over freight-sourcing from the Pearl River Delta by bolstering waterway linkages between cargo owners and sources in the Pan Pearl River Delta and the Shenzhen Western Port Zone. In the first half of the year, the total container volume handled by the Group's South China shuttle barge services rose 7% year-on-year. On 1 February 2011, the Group completed the acquisition of a 20% stake in CKRTT, thus further forging the co-operation relation with CKRTT and its controlling shareholder, Chu Kong Shipping Development Company Limited. The opening of direct barge service lines between the Group's Shenzhen ports and the CKRTT ports will streamline cargo transport and supplement the joint business development of the two companies in the Pearl River Delta. During the period under review, contribution of CKRTT's container through-put to the Group's Shenzhen ports grew more than 50% over that of the corresponding period last year. The Group is actively seeking new areas of cooperation and business development towards enhancing its feeder networks in the Pearl River Delta, from which to draw additional business support to its Shenzhen ports.

Stemmed from joint ventures established with Qingdao Port (Group) Co. Ltd. ("QPG") in container terminal operations in 2009 and in bulk cargo terminal operations in 2010, during the first half of 2011 the Group further strengthened its ties with

QPG through another joint venture established and 70% owned by QQCTU for the purpose of operating and managing 2 berths at QQCTU, so as to service business channeled mainly from APL Co. Pte Ltd. and SITC Container Lines Company Limited. These joint efforts with QPG have not only elevated the competitiveness of the Group's ports in the Bohai Rim, but also allowed the Group to benefit from the organic growth in the Bohai Rim market. In the first half of this year, the Group's container volume in Qingdao more than doubled and its bulk cargo volumes grew nearly 2 times, as compared to those of last year. Volume for the Group's ports in this region is expected to grow substantially in the second half of the year.

The Group's cost control and internal operational improvements efforts in recent years have formed a strong foundation. In the first half of the year, focusing on production and operations management, customer service management and financial control, the Group began implementing a systematic and standardized benchmarking control mechanism (including the use of a financial control model) that aims to further refine operational procedures, enhance risk control and elevate potential efficiencies. Through such efforts, the Group also adopts innovative ideas for productivity efficiency with simultaneous addresses to energy conservation and emission-reduction as a means of actively responding to calls for corporate social responsibility and environment-friendly social-minded schemes, thus ensuring the continued establishment of "green and cost-effective port" status. The Group has developed and initiated energy-saving and technologically innovative projects such as the "diesel to electricity" campaign to convert RTGs from using diesel to using electricity, using LNG fuel for tow-trucks, light emissions control in depots using LED systems, solar power utilization, Alternative Maritime Power (AMP) and electric-powered inspection vehicles. The Group strongly believes that technological innovation and application is the future direction for port development and considers, therefore, adopting and implementing all the above projects will help to initiate new key milestones for the Group's ports operation.

During the period under review, the Group's overseas businesses have shown steady development progress, with TICT in Nigeria delivering strong container volume growth as well as satisfactory financial performance. Negotiation on terms relating to the BOT agreement for the Colombo South Terminal project in Sri Lanka for which the consortium (of which Group is part) tendered has completed, and the agreement was formally signed in August 2011 with construction expected to begin by the end of the year at the earliest. The Group is also tracking and studying other overseas target projects, for some of which the Group has completed preliminary risk evaluation and assessment on investment return. The Group is of the view that globalization has mobilised labour division at an international scale as well as accelerated capital flow, and called for relocation of productivity activities. This, in particular, has provided emerging economies and developing regions with attractive cross-border investment opportunities alongside further industrialisation of these economies and/or regions. In its attempts to seek overseas ports investment opportunities, therefore, the Group will focus on regions that stand to potentially support the expanding flow of global trade.

Bonded logistics and cold chain operations

In the first half of 2011, the Group's bonded logistics and cold chain operations achieved a revenue of HK$633 million, up 603.3% year-on-year. EBIT derived from bonded logistics and cold chain operations amounted to HK$345 million, up 784.6% year-on-year.

Notwithstanding the weakened economic performances in North America and Europe during the first half of 2011, policy incentives granted by the Chinese Government to the Group's bonded logistics parks have rendered these parks increasingly attractive to the market, as evident in the fast growing number of new commercial enterprises moving into these parks from which to provide a sustainable source of port-cargo-park collaborated cargo handling business for the Group's bonded logistics parks. For the first half of the year, all of the Group's bonded logistics operations in Shenzhen, Qingdao and Tianjin have turned profitable. As the Group's bonded logistics business is still in the early stage of development, there remains in these parks very sufficient space available for further construction and development. Looking forward, therefore, other than continuing to supplement the Group's ports operation as a source of container volume growth, the Group's bonded logistics operation on a stand-alone basis will also offer enormous potential in generating operating results.

Last year, the Group and the world's largest cold chain logistics service-provider Americold Realty Trust ("Americold") jointly established two ventures, China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC") to develop the cold chain logistics market in Mainland China. After a year of operation, CMAC is widely recognized by the industry participants and also has gained its reputation and captured brand awareness in China. Currently, not only does CMAC already have operating presence in eight cities in Mainland China, the establishment of CMAC was ranked fourth among China's top ten important events in the cold chain logistics industry in 2010. The Group believes that along with the need for accelerating the shift in China's economic growth pattern, growth in domestic demand is expected to gradually become a key driver for China's economy. Cold chain logistics service will, in addition to servicing China's import-export demand for temperature-controlled produce, also capture the demand of the vast domestic consumption market. The Group expects its cold chain logistics operation, under the present nurturing, to become its new earnings driver under the Group's ports-led logistics businesses.

In the first half of this year, Asia Airfreight Terminal Company Limited in which the Group is interested handled a total of 340,000 tonnes of cargo, up 3.3% year-on-year. The lower level of year-on-year cargo growth is mainly ascribed to declines in imports into the European and US economies. As a major international air cargo transhipment hub with a high density of routes called, Hong Kong offers the competitive advantage, over those in the neighbouring proximity, in the fast turnaround and transhipment of high value-added and seasonal cargoes. The Group believes that along with economic recovery and value-chain enhancement of Chinese exports, the Group's air cargo handling business will continue to enjoy good growth potential in the long term.

Port-related manufacturing operations

Due to the recovered performance of China International Marine Containers (Group) Co., Ltd. ("CIMC Group"), EBIT derived from the Group's port-related manufacturing operations amounted to HK$1,272 million, an increase of 226.9% year-on-year.

In the first half of 2011, driven by the delivery of new container vessels globally, CIMC Group's container sales rose 1.3 times to reach 1,070,000 TEUs, along with favourable sales prices achieved. As a result, growth for container-manufacturing revenue exceeded that for sales volume by 176.0%. For the same period, it sold 89,000 units of specialised road vehicles, up 11% year-on-year compared with an increase of 6.1% in sales revenue. Supported and driven by the above core businesses, net profit attributable to CIMC Group was RMB2,810 million, representing an increase of 207.9% year-on-year.

Future Prospects

In the first half of 2011, debt crises of respectively the European Union ("EU") and the US have dampened the market's confidence in global economic recovery and significantly handicapped the consumer sentiment in the developed countries. Currently, while worries of US debt default seem to have somewhat eased which has, to some extent, mitigated further pressure on its economy, any such easing is likely to be temporary when the unemployment rate remains high and the needed momentum to rebounce the economy is lacking. In addition, the long drawn-out European debt crisis has hindered Europe's economic growth whilst causing the Euro to depreciate against the US dollar. As the EU has become China's largest export market, a weakening Euro coupled with a strengthening RMB (both vs US dollar) will inevitably impact on China's exports to Europe and the US. At the present, an immediate solution to the sovereign debt crises does not seem likely and the Group anticipates, as a consequence, China's containerized exports will likely remain under pressure in the second half of 2011.

The above-mentioned market uncertainties have led the Group to take a cautious approach towards China's foreign trade for the second half of 2011. However, the Group is also of the view that the impact of the economic downturn on daily consumable goods is relatively limited, and expects China's export volume to pick up in the traditional high season in the second half of 2011. The Group, therefore, forecasts Mainland China's container through-put volume in the second half of 2011 to outperform that of the first half but unlikely to see strong growth on account of the still-sluggish global economy. Container volume in the second half versus first half of this year is expected to grow less than the corresponding comparisons for 2010.

Notwithstanding the impact on China's exports due to the fragile global consumer demand, Chinese productivity elevating up the value-chain and escalating production costs in China, the Group notices that Chinese export products, mainly daily consumable goods and necessities, still take up a significant share of the global market. The Group further believes that continuing improvements in China's manufacturing supply chain with sufficient ancillary support, adequate skilled technical staff and abundant labour workforce with which to support massive production needs, and integrated logistics support facilitating efficient flows of respectively commodities, capital and information will, together, continue to anchor China's position as the world's largest state for manufacturing in the foreseeable future.

The Group is aware of that, for the first half of 2011, ASEAN nations have replaced Japan to become China's third largest trade partner, behind the EU and the US. The establishment of the China-ASEAN Free Trade Area has provided a favourable environment to facilitate trades between China and the ASEAN nations. At the October 2010 ASEAN-China summit, Chinese Premier Wen Jiabao announced a Sino-ASEAN bilateral trade goal of US$500 billion by 2015. Given the low proportion of bulk cargo in Sino-ASEAN bilateral trade, expanding trade will bring development opportunities for container port businesses in the region.

The Group is of the view that, although growth in China's container through-put volume, relative to the compound average growth rate for the past 20 years, is likely to descend from its historical peak level to a more modest growth rate in the long term, business operation for ports in China will continue to prevail and will unlikely stagnate.

For the second half of 2011, the Group will adhere to the business strategies already laid down. In the area of external market development, it will continue to enhance its hinterland potential through expanding the catchment area by further integrating feeder networks between hub and spoke ports; enhance the services of integrated logistics operation through the development of additional water-land connectivity points; and build its international profile through intensifying its strategic cooperation. As regards to internal operational management, the Group will continue to intensify refined management and control for effective implementation, ensure effective utilisation of resources along with operational synergies among business units. Where it relates to enhancing the "homebase" capabilities at Shenzhen West Port Zone, with the establishment led by the Group, by stage, of a function coordinating business development and operation activities of various players in the region, the Group has with a better communication channel created among ports, focusing on the integration of various ports in West Shenzhen aiming to ultimately improve the competitiveness of ports in West Shenzhen. Furthermore, the Group will closely monitor the development trends and changes relating to the ports industry whilst actively following policy studies by related government departments with a view to improving and enhancing the operating environment for the ports and port-related logistics facilities.

Prolonged European and US debt crises will likely delay the global economic recovery and defer the sustainable and rapid development progress of the ports and maritime industry. However, not only is the trend of "joint cooperation and development" incapable of being reversed, ports and port-related sectors also lend a platform with which for globalisation to further develop that the Group believes the value of ports and port-related sectors is irreplaceable. The Group will continue to base its foothold from its home operation in China, from which to steadily expand its overseas portfolio based on the economic momentum and potential of the selected locations and, in turn, to align the Group's business with the steps of globalisation and capture the sustainable business prospects.

Liquidity and treasury policies

As at 30 June 2011, the Group had approximately HK$6,841 million in cash, 24.9% of which was denominated in Hong Kong dollars, 7.2% in United States dollars, 67.5% in Renminbi and 0.4% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistic and cold chain operations, port-related manufacturing operations, property development and investment, and investment returns from associates and jointly controlled entities, which together contributed HK$2,308 million in total.

During the period, the Group's capital expenditure amounted to HK$919 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position by holding an appropriate level of cash to meet its operating requirements. In addition, as a significant portion of the Group's bank loans were medium- to long-term borrowings, the Group supported by adequate undrawn bilateral facilities does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 30 June 2011, the Company had 2,459,438,459 shares in issue. During the period, the Company issued 1,411,000 new shares upon the exercise of share options and received approximately HK$30 million as a result. On 25 July 2011, the Company issued 11,983,224 shares under the Company's scrip dividend scheme.

As at 30 June 2011, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 34.4%.

Considering the currency mix of its assets and liabilities and that significant depreciation of Renminbi is not expected, the Group has not entered into any specific hedging arrangements for its foreign currency investments during the period.

As at 30 June 2011, the Group's outstanding interest-bearing debts were analysed as below:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	**4,141**	4,827
Between 1 and 2 years	**2,085**	2,182
Between 2 and 5 years	**2,578**	2,813
Not wholly repayable within 5 years	**1,443**	1,410
	10,247	11,232
Fixed-rate listed notes payables are repayable:		
In 2013	**2,326**	2,324
In 2015	**3,879**	3,879
In 2018	**1,537**	1,536
	7,742	7,739
Loans from the ultimate holding company		
Within 1 year	**1,657**	1,748
Between 2 and 5 years	**960**	938
	2,617	2,686
Loans from an intermediate holding company		
Within 1 year	**554**	—
Between 2 and 5 years	**60**	587
	614	587
Loan from a non-controlling equity holder of a subsidiary	**12**	—

Note: all bank borrowings are unsecured except for HK$130 million (31 December 2010: HK$451 million).

The interest bearing debts are denominated in the following currencies:

	30 June 2011					
	Bank borrowings HK$' million	**Listed notes payable HK$' million**	**Loans from an intermediate holding company HK$' million**	**Loans from the ultimate holding company HK$' million**	**Loan from a non-controlling equity holder of a subsidiary HK$' million**	**Total HK$' million**
HKD & USD	**3,987**	**7,742**	**—**	**—**	**—**	**11,729**
RMB	**6,260**	**—**	**614**	**2,617**	**12**	**9,503**
	10,247	**7,742**	**614**	**2,617**	**12**	**21,232**

	31 December 2010					
	Bank borrowings HK$' million	Listed notes payable HK$' million	Loans from an intermediate holding company HK$' million	Loans from the ultimate holding company HK$' million	Loan from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	4,972	7,739	—	—	—	12,711
RMB	6,260	—	587	2,686	—	9,533
	11,232	7,739	587	2,686	—	22,244

Assets charge

As at 30 June 2011, the Company did not have any charge over its assets. The bank loans of HK$38 million borrowed by subsidiaries are secured by its property, plant and equipment with net book value HK$44 million.

As at 31 December 2010 , the Company did not have any charge over its assets. The bank loans of HK$68 million and HK$294 million borrowed by subsidiaries were respectively secured by its property, plant and equipment with net book value HK$71 million and land use right with net book value HK$558 million.

Employees and remuneration

As at 30 June 2011, the Group employed 7,977 full time staff, of which 256 worked in Hong Kong, and the remaining 7,721 were in the PRC. The remuneration paid for the period amounted to HK$611 million, representing 21.7% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to their performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers year-end bonus as a reward to its staff for their efforts and contribution. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

Interim Dividend And Scrip Dividend Scheme

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 30 HK cents per share (2010: 25 HK cents) in scrip form for the period, represents a dividend payout of 19.0%. The interim dividend will be paid on or around 30 November 2011 to the shareholders whose names appear on the Register of Members of the Company on 7 October 2011, with an alternative to the shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment (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 21 October 2011. 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 certificates for the new shares will be despatched to shareholders on or around 30 November 2011.

Closure Of Register

The Register of Members will be closed from 3 October 2011 to 7 October 2011 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30 September 2011. The interim dividend will be paid on or around 30 November 2011 to shareholders whose names appear on the register of members of the Company on 7 October 2011.

Directors' interests in securities

As at 30 June 2011, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and share options in the Company

Name of Director	Capacity	Nature of interest	Number of shares in the Company	Number of shares in the Company subject to share options granted	Percentage of aggregate long position in shares to the issued share capital of the Company as at 30 June 2011
Dr. Fu Yuning	Beneficial owner	Personal interest	543,680	400,000	0.0384%
Mr. Li Yinquan	Beneficial owner	Personal interest	—	400,000	0.0163%
Mr. Hu Zheng	Beneficial owner	Personal interest	—	700,000	0.0285%
Mr. Meng Xi	Beneficial owner	Personal interest	—	200,000	0.0081%
Mr. Su Xingang	Beneficial owner	Personal interest	—	350,000	0.0142%
Mr. Yu Liming	Beneficial owner	Personal interest	357,626	500,000	0.0349%
Mr. Wang Hong	Beneficial owner	Personal interest	500,037	150,000	0.0264%
Mr. Liu Yunshu	Beneficial owner	Personal interest	—	300,000	0.0122%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	152,369	—	0.0062%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,526,104	—	0.0621%
			3,079,816	3,000,000	0.2472%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2011, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

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

Share option scheme

At an extraordinary general meeting of the Company held on 20 December 2001, the shareholders of the Company adopted the share option scheme (the "Share Option Scheme") and a previous share option scheme was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates ("Eligible Persons"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by China Merchants Holdings (Hong Kong) Company Limited, an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies (together, the "CMHK Group"), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group. A resolution was passed at the extraordinary general meeting of the Company held on 27 August 2002 to amend the Share Option Scheme to effect such extension of Eligible Persons.

Details of the share options outstanding as at 30 June 2011 which have been granted under the Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2011	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Other changes during the period	Options held as at 30 June 2011
Directors								
Dr. Fu Yuning	25 May 2006	23.03	400,000	—	—	—	—	400,000
Mr. Li Yinquan	27 October 2004	11.08	50,000	—	(50,000)	—	—	—
	25 May 2006	23.03	400,000	—	—	—	—	400,000
Mr. Hu Zheng	27 October 2004	11.08	300,000	—	—	—	—	300,000
	25 May 2006	23.03	400,000	—	—	—	—	400,000
Mr. Meng Xi	25 May 2006	23.03	200,000	—	—	—	—	200,000
Mr. Su Xingang	25 May 2006	23.03	350,000	—	—	—	—	350,000
Mr. Yu Liming	25 May 2006	23.03	500,000	—	—	—	—	500,000
Mr. Wang Hong	25 May 2006	23.03	150,000	—	—	—	—	150,000
Mr. Liu Yunshu	25 May 2006	23.03	300,000	—	—	—	—	300,000
			3,050,000	—	(50,000)	—	—	3,000,000
Continuous contract employees								
(I) The Group	27 October 2004	11.08	1,260,000	—	(200,000)	—	—	1,060,000
	25 May 2006	23.03	12,054,000	—	(331,000)	—	—	11,723,000
	21 June 2006	20.91	150,000	—	—	—	—	150,000
(II) The CMHK	27 October 2004	11.08	1,000,000	—	—	—	—	1,000,000
Group	25 May 2006	23.03	11,084,000	—	(830,000)	—	—	10,254,000
			25,548,000	—	(1,361,000)	—	—	24,187,000
			28,598,000	—	(1,411,000)	—	—	27,187,000

Notes:

1. The above outstanding share options can be exercised at any time during a period of 10 years commencing on the date of grant of the options.

2. The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$33.914.

3. No share options were granted during the period.

Substantial shareholders

As at 30 June 2011, the following persons, other than a director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Positions

Name of substantial shareholder	Nature of interest	Ordinary Shares held	Percentage of total issued Shares
China Merchants Group Limited	Interest of Controlled Corporation	1,352,647,266[1,2,3]	55.00%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,349,647,266[2]	54.88%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,349,647,266[2]	54.88%
China Merchants Union (BVI) Limited	Beneficial Owner	1,332,525,504[2]	54.18%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	Investment Manager	145,910,554	5.93%

Notes:

1. Each of China Merchants Steam Navigation Company Limited and China Merchants Shekou Industrial Zone Company Limited is wholly-owned by China Merchants Group Limited ("CMG"). CMG is deemed to be interested in 1,352,647,266 shares, which represents the aggregate of 1,349,647,266 shares deemed to be held by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,000,000 shares deemed to be held by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).

2. China Merchants Holdings (Hong Kong) Company Limited is wholly-owned by China Merchants Steam Navigation Company Limited. Each of China Merchants Union (BVI) Limited and China Merchants International Finance Company Limited is in turn wholly-owned by China Merchants Holdings (Hong Kong) Company Limited.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,349,647,266 shares which are deemed to be held by China Merchants Holdings (Hong Kong) Company Limited. Such shares represent the aggregate of 1,332,525,504 shares beneficially held by China Merchants Union (BVI) Limited and 17,121,762 shares beneficially held by Best Winner Investment Limited.

   As Best Winner Investment Limited is wholly-owned by China Merchants International Finance Company Limited, China Merchants International Finance Company Limited is deemed to be interested in the 17,121,762 shares beneficially held by Best Winner Investment Limited.

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

Short Positions

Nil

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

Corporate Governance

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

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, each Director confirmed that he has complied with the required standard set out in the Model Code during the period.

In November 2004, the Stock Exchange promulgated the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions ("Code Provisions") with which the listed issuers are expected to follow and comply. In the opinion of the Directors, the Company has complied with the Code Provisions set out in the CG Code throughout the six months ended 30 June 2011.

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

Audit Committee

The Audit Committee of the Company 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 financing reporting matters including the review of the unaudited interim results for the six months ended 30 June 2011 and the 2011 Interim Report.

Update on Director's Biographical Details

Mr. Li Ka Fai David, Independent Non-executive Director of the Company, resigned as an Independent Director and Chairman of audit committee of China Vanke Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and was appointed as a consultant of that Company with effect from 31 March 2011.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 30 August 2011

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Note	Unaudited **2011** **HK$'million**	 2010 HK$'million
Revenue	6	**4,196**	1,999
Cost of sales	9	**(2,312)**	(1,013)
Gross profit		**1,884**	986
Other gains, net	8	**1,856**	167
Other income	8	**54**	78
Distribution costs	9	**(20)**	—
Administrative expenses	9	**(487)**	(173)
Operating profit		**3,287**	1,058
Finance income	10	**62**	16
Finance costs	10	**(427)**	(322)
Finance costs - net	10	**(365)**	(306)
Share of profits less losses of			
– Associates		**1,983**	1,400
– Jointly controlled entities		**162**	125
Profit before taxation		**5,067**	2,277
Taxation	11	**(576)**	(184)
Profit for the period		**4,491**	2,093
Attributable to:			
– equity holders of the Company		**3,906**	1,929
– non-controlling interests		**585**	164
Profit for the period		**4,491**	2,093
Dividends	12	**741**	610
Earnings per share for profit attributable to equity holders of the Company	13		
– basic (HK cents)		**158.85**	79.25
– diluted (HK cents)		**158.25**	79.06

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Unaudited	
	2011	2010
	HK$'million	HK$'million
Profit for the period	**4,491**	2,093
Other comprehensive income		
Share of investment revaluation reserves of associates	**1**	(175)
Share of other reserves of associates	**(15)**	—
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	**1,008**	231
Increase/(decrease) in fair value of available-for-sale financial assets, net of deferred taxation	**53**	(511)
Total other comprehensive income/(loss) for the period, net of tax	**1,047**	(455)
Total comprehensive income for the period	**5,538**	1,638
Total comprehensive income attributable to:		
– equity holders of the Company	**4,722**	1,443
– non-controlling interests	**816**	195
	5,538	1,638

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Note	**Unaudited 30 June 2011 HK$'million**	Audited 31 December 2010 HK$'million
ASSETS			
Non-current assets			
Intangible assets	14	**3,407**	3,389
Property, plant and equipment	14	**17,316**	16,835
Investment properties	14	**4,207**	3,662
Land use rights	14	**9,846**	9,683
Interests in associates	15	**26,038**	23,701
Interests in jointly controlled entities		**4,756**	4,589
Other financial assets		**2,478**	2,418
Prepayments		**296**	342
Deferred tax assets		**112**	114
		68,456	64,733
Current assets			
Inventories		**212**	159
Properties under development and held for sale		**3,311**	2,241
Other financial assets		**390**	382
Debtors, deposits and prepayments	16	**4,392**	4,484
Cash and cash equivalents		**6,841**	6,352
		15,146	13,618
Total assets		**83,602**	78,351

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Note	**Unaudited 30 June 2011 HK$'million**	Audited 31 December 2010 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**246**	246
Reserves		**40,856**	36,878
Proposed dividend		**741**	1,918
		41,843	39,042
Non-controlling interests		**11,120**	10,329
Total equity		**52,963**	49,371
LIABILITIES			
Non-current liabilities			
Loans from the ultimate holding company	18	**960**	938
Loans from an intermediate holding company	19	**60**	587
Other financial liabilities	20	**13,848**	14,144
Deferred tax liabilities		**2,344**	2,065
		17,212	17,734
Current liabilities			
Creditors and accruals	21	**6,741**	4,382
Loans from the ultimate holding company	18	**1,657**	1,748
Loans from an intermediate holding company	19	**554**	—
Other financial liabilities	20	**4,181**	4,855
Taxation payable		**294**	261
		13,427	11,246
Total liabilities		**30,639**	28,980
Total equity and liabilities		**83,602**	78,351
Net current assets		**1,719**	2,372
Total assets less current liabilities		**70,175**	67,105

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
At 1 January 2011	246	15,085	6,531	17,180	39,042	10,329	49,371
Comprehensive income							
Profit for the period	—	—	—	3,906	3,906	585	4,491
Other comprehensive income							
Share of investment revaluation reserves of associates	—	—	1	—	1	—	1
Share of other reserves of associates	—	—	(15)	—	(15)	—	(15)
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	—	—	777	—	777	231	1,008
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	53	—	53	—	53
Total other comprehensive income for the period, net of tax	—	—	816	—	816	231	1,047
Total comprehensive income for the period	—	—	816	3,906	4,722	816	5,538
Transactions with owners							
Issue of shares on exercise of share options, net of share issue expenses	—	30	—	—	30	—	30
Transfer to reserves	—	—	35	(35)	—	—	—
Purchase of additional interest in a subsidiary from a non-controlling equity holder (note 23(a))	—	—	(39)	—	(39)	(80)	(119)
Capital contribution to a subsidiary (note 23(b))	—	—	6	—	6	104	110
Dividend	—	—	—	(1,918)	(1,918)	(49)	(1,967)
Total transactions with owners for the period	—	30	2	(1,953)	(1,921)	(25)	(1,946)
At 30 June 2011	246	15,115	7,349	19,133	41,843	11,120	52,963

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
At 1 January 2010	243	14,399	6,424	12,497	33,563	2,056	35,619
Comprehensive income							
Profit for the period	—	—	—	1,929	1,929	164	2,093
Other comprehensive income							
Share of investment revaluation reserves of associates	—	—	(175)	—	(175)	—	(175)
Exchange differences from retranslation of investments in subsidiaries, associates and jointly controlled entities	—	—	200	—	200	31	231
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	—	—	(511)	—	(511)	—	(511)
Total other comprehensive (loss)/ income for the period, net of tax	—	—	(486)	—	(486)	31	(455)
Total comprehensive (loss)/income for the period	—	—	(486)	1,929	1,443	195	1,638
Transactions with owners							
Issue of shares on exercise of share options, net of share issue expenses	—	12	—	—	12	—	12
Transfer to reserves	—	—	113	(113)	—	—	—
Dividend	—	—	—	(779)	(779)	(10)	(789)
Total transactions with owners for the period	—	12	113	(892)	(767)	(10)	(777)
At 30 June 2010	243	14,411	6,051	13,534	34,239	2,241	36,480

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Unaudited	
	2011	2010
	HK$'million	HK$'million
Net cash generated from operating activities	**2,308**	1,307
Net cash (used in)/generated from investing activities	**(768)**	90
Net cash used in financing activities	**(1,145)**	(622)
Net increase in cash and cash equivalents	**395**	775
Cash and cash equivalents at 1 January	**6,352**	3,206
Effect of foreign exchange rate changes	**94**	14
Cash and cash equivalents at 30 June	**6,841**	3,995

Notes to Condensed Consolidated Interim Financial Information

1 General information

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

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

On 12 August 2010, the Company was granted the management rights and the power to direct the voting right over 23.493% of China Nanshan Development (Group) Incorporation ("Nanshan Group") pursuant to an entrustment agreement entered between the Company and China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), an intermediate holding company. Together with the 37.01% equity interest previously held by the Group, the Group is able to exercise control over Nanshan Group which then became a subsidiary of the Company from that date. The financial results of Nanshan Group shared by the Group were consolidated by the Group for the period ended 30 June 2011 whereas the Group's share had been reflected in share of profits less losses of associates for the period ended 30 June 2010.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue on 30 August 2011.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described therein.

(i) Amendments to standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual period beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

3 Accounting policies (Continued)

(i) Amendments to standards adopted by the Group (Continued)

- Third improvements to HKFRSs (2010) issued in May 2010 by the Hong Kong Institute of Certified Public Accountants ("HKICPA") are effective for the financial year beginning 1 January 2011.
  - HKFRS 3 (Revised) "Business combinations"
  - HKFRS 7 "Financial instruments: Disclosures"
  - HKAS 1 "Presentation of financial statements"
  - HKAS 27 "Consolidated and separate financial statements"

(ii) Amendments and interpretations to existing standards effective for the financial year beginning 1 January 2011 but not relevant to the Group

- HKAS 24 (Revised) "Related party disclosures – Change of definition of related party"
- HKAS 32 (Amendment) "Classification of rights issue"
- Amendments to HK(IFRIC) Int-14 "Prepayments of a minimum funding requirement"
- HK(IFRIC)-Int 19 "Extinguishing financial liabilities with equity instruments"
- Third improvements to HKFRSs (2010) issued in May 2010 by HKICPA on HK(IFRIC) – Int 13 "Customer loyalty programmes"

(iii) The following new standards and amendments to standards have been issued but are only effective for the financial years beginning after 1 January 2011 and have not been early adopted. The Group is assessing the impact of these amendments and standards. The Group will apply these amendments and standards when respective annual periods are effective.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	"Presentation of financial statements"	1 July 2012
HKAS 12 (Amendment)	"Deferred tax: Recovery of underlying assets"	1 January 2012
HKAS 19 (Amendment)	"Employee benefits"	1 January 2013
HKFRS 7 (Amendment)	"Disclosure – Transfer of financial assets"	1 July 2011
HKFRS 9	"Financial instruments"	1 January 2013
HKFRS 10	"Consolidated financial statements"	1 January 2013
HKFRS 11	"Joint arrangements"	1 January 2013
HKFRS 12	"Disclosure of interests in other entities"	1 January 2013
HKFRS 13	"Fair value measurements"	1 January 2013

4 Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2010.

5 Financial risk management

(i) Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

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

(ii) Liquidity risk

Compared to last financial year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

(iii) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

5 Financial risk management (Continued)

(iii) Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2011.

	Level 1 HK$'million	**Level 2 HK$'million**	**Level 3 HK$'million**	**Total HK$'million**
Financial asset at fair value through profit or loss	**—**	**—**	**390**	**390**
Available-for-sale financial assets	**2,251**	**—**	**227**	**2,478**
	2,251	**—**	**617**	**2,868**

The following table presents the Group's assets that were measured at fair value at 31 December 2010.

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial asset at fair value through profit or loss	—	—	382	382
Available-for-sale financial assets	2,145	—	273	2,418
	2,145	—	655	2,800

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

6 Revenue

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and property development and investment. Revenue consists of turnover recognised under the following business activities during the period.

	Six months ended 30 June	
	2011	2010
	HK$'million	HK$'million
Ports service, transportation income, container service and container yard management income	**3,092**	1,893
Logistics services income (including rental income)	**633**	90
Sales of properties and goods	**452**	—
Gross rental income from investment properties	**19**	16
	4,196	1,999

7 Segment information

The key management team of the Company has been regarded as the Chief Operation Decision-Maker ("CODM"). CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM considers the Group's operations from both a business and geographic perspective.

From a business perspective, management assesses the performance of business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations. Ports operation is further evaluated on a geographic basis. Upon the extension of its ports operation in various areas, the geographic performance assessment on ports operation had been amended to be based on Pearl River Delta excluding Hong Kong ("PRD excluding HK"), Hong Kong, Yangtze River Delta and other locations. The segment information presented in the prior period has been restated accordingly.

Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and the Group's associates and jointly controlled entities. Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and the Group's associates. Port-related manufacturing operations includes construction of modular housing and container manufacturing operated by the Group and the Group's associates. Other operations include property development and investment and corporate function.

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

Over 90% of its non-current assets are located in Mainland China and over 90% of its revenue is derived in Mainland China. There is no single customer who accounted over 10% of the Group's total revenue.

7 Segment information (Continued)

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of jointly controlled entities" below represent the Group's share of revenue of associates and jointly controlled entities respectively. An analysis of the Group's revenue by segments is as follows:

	For the six months ended 30 June 2011								
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	HK$'million	Property development and investment HK$'million	HK$'million
Revenue									
Company and subsidiaries	2,743	113	—	236	3,092	633	109	362	4,196
Share of associates	81	481	2,515	197	3,274	237	11,641	299	15,451
Share of jointly controlled entities	—	10	137	714	861	—	—	351	1,212
Total	2,824	604	2,652	1,147	7,227	870	11,750	1,012	20,859

	For the six months ended 30 June 2010								
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	HK$'million	Property development and investment HK$'million	HK$'million
Revenue									
Company and subsidiaries	1,625	98	—	170	1,893	90	—	16	1,999
Share of associates	880	415	2,105	—	3,400	85	6,020	—	9,505
Share of jointly controlled entities	16	—	121	501	638	—	—	—	638
Total	2,521	513	2,226	671	5,931	175	6,020	16	12,142

7 Segment information (Continued)

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows:

	For the six months ended 30 June 2011										
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	HK$'million	Property development and investment HK$'million	Corporate function HK$'million	Sub-total HK$'million	HK$'million
Operating profit/(loss) (excluding gain on deemed disposal of interest in an associate)	1,307	18	23	56	1,404	308	(20)	286	(58)	228	1,920
Share of profits less losses of											
– Associates	33	143	761	79	1,016	35	885	47	–	47	1,983
– Jointly controlled entities	–	–	44	112	156	–	–	6	–	6	162
	1,340	161	828	247	2,576	343	865	339	(58)	281	4,065
Gain on deemed disposal of interest in an associate (note 15(a))											1,367
Finance costs – net	(44)	–	–	(36)	(80)	(65)	(8)	20	(232)	(212)	(365)
Taxation	(243)	(3)	(198)	(10)	(454)	(44)	(43)	(35)	–	(35)	(576)
Profit/(loss) for the period	1,053	158	630	201	2,042	234	814	324	(290)	34	4,491
Non-controlling interests	(373)	–	–	(39)	(412)	(144)	(13)	(16)	–	(16)	(585)
Profit/(loss) attributable to equity holders of the Company	680	158	630	162	1,630	90	801	308	(290)	18	3,906
Other information:											
Depreciation and amortisation	436	4	–	93	533	92	19	10	3	13	657
Capital expenditure	459	1	–	86	546	255	42	74	2	76	919

7 Segment information (Continued)

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows: (Continued)

	For the six months ended 30 June 2010										
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	HK$'million	Property development and investment HK$'million	Corporate function HK$'million	Sub-total HK$'million	HK$'million
Operating profit/(loss)	901	10	46	96	1,053	13	—	67	(75)	(8)	1,058
Share of profits less losses of											
– Associates	272	146	701	—	1,119	21	260	—	—	—	1,400
– Jointly controlled entities	3	—	34	88	125	—	—	—	—	—	125
	1,176	156	781	184	2,297	34	260	67	(75)	(8)	2,583
Finance costs – net	(14)	—	—	(34)	(48)	(26)	—	—	(232)	(232)	(306)
Taxation	(110)	(2)	(41)	(5)	(158)	—	(22)	(4)	—	(4)	(184)
Profit/(loss) for the period	1,052	154	740	145	2,091	8	238	63	(307)	(244)	2,093
Non-controlling interests	(147)	—	—	(4)	(151)	(13)	—	—	—	—	(164)
Profit/(loss) attributable to equity holders of the Company	905	154	740	141	1,940	(5)	238	63	(307)	(244)	1,929
Other information:											
Depreciation and amortisation	285	4	—	51	340	34	—	—	3	3	377
Capital expenditure	134	6	—	24	164	35	—	—	—	—	199

7 Segment information (Continued)

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

	As at 30 June 2011										
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	HK$'million	Property development and investment HK$'million	Corporate function HK$'million	Sub-total HK$'million	HK$'million
Segment assets (excluding interests in associates and jointly controlled entities)	23,472	184	2,991	4,113	30,760	8,036	827	10,644	2,429	13,073	52,696
Interests in associates	1,086	1,684	13,004	1,232	17,006	828	7,460	744	–	744	26,038
Interests in jointly controlled entities	–	4	790	3,783	4,577	–	–	179	–	179	4,756
Total segment assets	24,558	1,872	16,785	9,128	52,343	8,864	8,287	11,567	2,429	13,996	83,490
Deferred tax assets											112
Total assets											83,602
Segment liabilities	(5,359)	(38)	(55)	(2,357)	(7,809)	(3,395)	(494)	(5,391)	(10,912)	(16,303)	(28,001)
Taxation payable											(294)
Deferred tax liabilities											(2,344)
Total liabilities											(30,639)

7 Segment information (Continued)

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

	As at 31 December 2010										
	Ports operation					Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	PRD excluding HK	Hong Kong	Yangtze River Delta	Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Segment assets (excluding interests in associates and jointly controlled entities)	22,998	103	2,140	4,426	29,667	7,131	690	10,326	2,133	12,459	49,947
Interests in associates	899	1,988	11,322	1,194	15,403	815	6,702	781	—	781	23,701
Interests in jointly controlled entities	88	4	729	3,682	4,503	—	—	86	—	86	4,589
Total segment assets	23,985	2,095	14,191	9,302	49,573	7,946	7,392	11,193	2,133	13,326	78,237
Deferred tax assets											114
Total assets											78,351
Segment liabilities	(5,443)	(38)	(54)	(2,069)	(7,604)	(3,290)	(449)	(5,480)	(9,831)	(15,311)	(26,654)
Taxation payable											(261)
Deferred tax liabilities											(2,065)
Total liabilities											(28,980)

8 Other gains, net and other income

	Six months ended 30 June 2011 HK$'million	2010 HK$'million
Other gains, net		
Increase in fair value of investment properties	**416**	55
Increase in fair value of financial asset at fair value through profit or loss	**8**	—
Reversal of provision for terminal construction cost	**—**	58
Gain on deemed disposal of interest in an associate (note 15(a))	**1,367**	—
Gain on disposal of land use rights and property, plant and equipment	**4**	61
Net exchange gains/(losses)	**61**	(7)
	1,856	167
Other income		
Dividend income from available-for-sale financial assets		
– Listed equity investments	**21**	19
– Unlisted equity investments	**15**	55
Dividend income from financial asset at fair value through profit or loss	**10**	—
Others	**8**	4
	54	78

9 Expenses by nature

	Six months ended 30 June 2011 HK$'million	2010 HK$'million
Cost of inventories	**322**	—
Staff costs (including Directors' emoluments)	**611**	253
Depreciation of property, plant and equipment	**560**	313
Amortisation of intangible assets and land use rights	**97**	64
Fuel and utilities	**256**	124
Sub-contracting fees	**358**	205
Operating lease rentals in respect of		
– land and buildings	**52**	47
– plant and machinery	**24**	14
Transportation and delivery	**163**	—
Other expenses	**376**	166
Total cost of sales, distribution costs and administrative expenses	**2,819**	1,186

10 Finance income and costs

	Six months ended 30 June 2011 HK$'million	2010 HK$'million
Finance income – interest income from bank deposits	**62**	16
Interest expense on:		
Bank borrowings		
– wholly repayable within five years	**(169)**	(23)
– not wholly repayable within five years	**(40)**	(2)
Listed notes payable		
– wholly repayable within five years	**(179)**	(179)
– not wholly repayable within five years	**(56)**	(56)
Loans from the ultimate holding company	**(51)**	(48)
Loans from an intermediate holding company	**(13)**	(17)
Total borrowing costs incurred	**(508)**	(325)
Less: amount capitalised on qualifying assets (note)	**81**	3
Finance costs	**(427)**	(322)
Finance costs – net	**(365)**	(306)

Note: Capitalisation rate of 5.18% per annum (2010: 4.39% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

11 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax law of the People's Republic of China ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in the PRC before 1 January 2008 previously taxed at preferential rate of 15%, PRC corporate income tax rate is 22% and 24% in 2010 and 2011 respectively whereas 25% standard rate will be applied from year 2012 onwards. Certain of the Group's subsidiaries were exempted from the PRC corporate income tax in the first five profit making years and followed by a 50% reduction in the PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some investments held by companies incorporated in certain places, including Hong Kong and Singapore, preferential rate of 5% will be applied.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to condensed consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	HK$'million	HK$'million
Hong Kong profits tax	**3**	2
PRC corporate income tax	**247**	65
PRC withholding income tax	**91**	119
Deferred taxation	**91**	(2)
Deferred taxation arising from change in tax rate (note)	**144**	—
	576	184

Note: Upon deemed disposal of interest in an associate as disclosed in note 15(a), the Group is no longer entitled to 5% preferential rate on its dividend and accordingly an additional HK$144 million deferred taxation is provided for this investment.

12 Interim dividend

	Six months ended 30 June 2011 HK$'million	2010 HK$'million
Interim dividend of 30 HK cents (2010: 25 HK cents) per share	**741**	610

At a meeting held on 30 August 2011, the Board of Directors proposed an interim dividend of 30 HK cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

The amount of interim dividend for 2011 was based on 2,471,421,683 (2010: 2,439,883,297) shares in issue as at 30 August 2011.

13 Earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic	**Total**
For the six months ended 30 June 2011	
Profit attributable to equity holders of the Company (HK$'million)	**3,906**
Weighted average number of ordinary shares in issue	**2,458,976,103**
Basic earnings per share (HK cents)	**158.85**
For the six months ended 30 June 2010	
Profit attributable to equity holders of the Company (HK$'million)	1,929
Weighted average number of ordinary shares in issue	2,433,156,101
Basic earnings per share (HK cents)	79.25

13 Earnings per share (Continued)

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average interim market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted	Total
For the six months ended 30 June 2011	
Profit attributable to equity holders of the Company (HK$'million)	**3,906**
Weighted average number of ordinary shares in issue	**2,458,976,103**
Adjustment for share options	**9,241,666**
Weighted average number of ordinary shares for diluted earnings per share	**2,468,217,769**
Diluted earnings per share (HK cents)	**158.25**
For the six months ended 30 June 2010	
Profit attributable to equity holders of the Company (HK$'million)	1,929
Weighted average number of ordinary shares in issue	2,433,156,101
Adjustment for share options	5,680,704
Weighted average number of ordinary shares for diluted earnings per share	2,438,836,805
Diluted earnings per share (HK cents)	79.06

14 Intangible assets, property, plant and equipment, investment properties and land use rights

	Intangible assets HK$'million	Property, plant and equipment HK$'million	Investment properties HK$'million	Land use rights HK$'million
Year ended 31 December 2010				
Opening net book value as at 1 January 2010	2,513	10,990	919	6,893
Exchange adjustments	19	377	71	237
Acquisition of subsidiaries	858	4,817	2,423	2,771
Additions	—	878	—	33
Increase in fair value	—	—	331	—
Disposals	—	(422)	—	(121)
Transfer from investment properties and non-current assets held for sale to property, plant and equipment	—	1,082	(82)	—
Depreciation and amortisation	(1)	(887)	—	(130)
Closing net book value as at 31 December 2010	3,389	16,835	3,662	9,683
Six months ended 30 June 2011				
Opening net book value as at 1 January 2011	**3,389**	**16,835**	**3,662**	**9,683**
Exchange adjustments	**21**	**289**	**62**	**182**
Additions	**—**	**788**	**67**	**—**
Increase in fair value	**—**	**—**	**416**	**—**
Disposals	**—**	**(36)**	**—**	**—**
Transfer from prepayment to land use rights	**—**	**—**	**—**	**75**
Depreciation and amortisation	**(3)**	**(560)**	**—**	**(94)**
Closing net book value as at 30 June 2011	**3,407**	**17,316**	**4,207**	**9,846**

15 Interests in associates

(a) Deemed disposal of interest in Shanghai International Port (Group) Co., Ltd.

On 27 October 2010, Shanghai International Port (Group) Co., Ltd. ("SIPG"), an associate of the Group, entered into certain agreements to acquire the entire equity interests of 上海同盛洋東港資產管理有限公司 (Shanghai Tongsheng Yangdong Asset Management Co., Ltd., being an unofficial English name) and 上海同盛洋西港資產管理有限公司 (Shanghai Tongsheng Yangxi Asset Management Co., Ltd., being an unofficial English name), which held the ports assets in Yangshan Ports Phase II and Phase III respectively, from 上海同盛投資(集團)有限公司 (Shanghai Tongsheng Investment (Group) Co., Ltd., being an unofficial English name) at a consideration of approximately HK$9,310 million. This consideration is satisfied by the issuance of 1,764,379,518 ordinary shares of SIPG on 8 April 2011. Consequentially, the Group's interest in SIPG has been diluted from 26.539% to 24.48%, resulting in a gain on deemed disposal of HK$1,367 million (note 8).

(b) Acquisition of 20% equity interest in Chu Kong River Trade Terminal Co., Limited

On 1 February 2011, the Group acquired 20% equity interest in Chu Kong River Trade Terminal Co., Limited ("CKRTT") for a cash consideration of HK$131 million. The principal activity of CKRTT is shuttle-barge ports operations in the Pearl River Delta region. The fair value of the underlying assets less assumed liabilities as at 1 February 2011 is HK$112 million and a goodwill of HK$19 million has been recognised. The Group accounted for its investment in CKRTT as an interest in an associate as the Directors consider the Group has significant influence over CKRTT.

16 Debtors, deposits and prepayments

	30 June 2011 HK$'million	31 December 2010 HK$'million
Trade debtors (note (a))	**1,221**	970
Prepayment for land use rights for property development	**—**	876
Other debtors, deposits and prepayments	**1,456**	1,327
Dividend receivables from associates, a jointly controlled entity and available-for-sale financial assets	**1,036**	148
Amounts due from fellow subsidiaries (note (b))	**7**	3
Amounts due from associates (note (b))	**74**	70
Amounts due from jointly controlled entities (note (b))	**598**	611
Amount due from a non-controlling equity holder	**—**	479
	4,392	4,484

Notes:

(a) Bill receivables of HK$33 million (31 December 2010: HK$101 million) are included in trade debtors as at 30 June 2011.

The Group has a credit policy of allowing an average credit period of 90 days to its trade customers. The ageing analysis of trade debtors is as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Not yet due	**605**	558
1 - 90 days	**518**	330
91 - 180 days	**53**	45
181 - 365 days	**30**	21
Over 365 days	**15**	16
	1,221	970

(b) The amounts due from fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and repayable on demand.

17 Share capital

	Number of shares		Share capital	
	Six months ended 30 June			
	2011	2010	**2011 HK$'million**	2010 HK$'million
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January and 30 June	**5,000,000,000**	5,000,000,000	**500**	500
Issued and fully paid:				
At 1 January	**2,458,027,459**	2,432,749,023	**246**	243
Issue of shares on exercise of share options (note (a))	**1,411,000**	620,000	**—**	—
At 30 June	**2,459,438,459**	2,433,369,023	**246**	243

Notes:

(a) During the period, 1,411,000 (2010: 620,000) shares were issued on exercise of share options, with proceeds of HK$30 million (2010: HK$12 million).

The weighted average share price at the time of exercise was HK$34.29 (2010: HK$28.77) per share. The related transaction costs have been deducted from the proceeds received.

During the period, no ordinary shares were repurchased.

(b) During the period from 1 July 2011 to the date of approval of this condensed consolidated interim financial information, 11,983,224 ordinary shares of HK$0.1 each were issued to satisfy the payment of the 2010 final dividend of HK$341 million and no ordinary shares were issued by way of exercise of share options.

(c) Share options

The Existing Scheme was approved and adopted by the equity holders at the meeting on 20 December 2001. During the period, the Company did not grant any new share options.

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

	Six months ended 30 June			
	2011		2010	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
At 1 January	**21.93**	**28,598,000**	21.84	30,393,000
Exercised	**20.91**	**(1,411,000)**	19.18	(620,000)
At 30 June	**21.98**	**27,187,000**	21.90	29,773,000

All share options were exercisable as at 30 June 2011.

17 Share capital (Continued)

Notes: (Continued)

(c) Share options (Continued)

Share options outstanding at 30 June 2011 have the following expiry dates and exercise prices:

Year of expiry	Exercise price HK$	Number of share options
2014	11.08	2,360,000
2016	23.03	24,677,000
2016	20.91	150,000
		27,187,000

18 Loans from the ultimate holding company

The loans from the ultimate holding company are unsecured, interest bearing at annual rates of 2.92% to 5.2% (31 December 2010: 2.92% to 5.2%) and are denominated in Renminbi.

The loans from the ultimate holding company are repayable as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Within 1 year	**1,657**	1,748
Between 2 to 5 years	**960**	938
	2,617	2,686

19 Loans from an intermediate holding company

The loans from an intermediate holding company are unsecured, interest bearing at annual rate of 4.35% (31 December 2010: 4.35%). The loans are denominated in Renminbi.

The loans from an intermediate holding company are repayable as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Within 1 year	**554**	—
Between 2 to 5 years	**60**	587
	614	587

20 Other financial liabilities

	30 June 2011 HK$'million	31 December 2010 HK$'million
Short-term bank loans		
– unsecured	**3,316**	3,812
– secured (note (a))	**116**	136
Long-term bank loans, wholly repayable within five years		
– unsecured	**5,358**	5,559
– secured (note (a))	**14**	315
Unsecured long-term bank loans, not wholly repayable within five years	**1,443**	1,410
	10,247	11,232
Loans from non-controlling equity holders of subsidiaries (note (c))	**40**	28
Listed notes payable (note (d))		
– US$300 million, 6.125% guaranteed listed notes maturing in 2013	**2,326**	2,324
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	**3,879**	3,879
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,537**	1,536
Total	**18,029**	18,999
Less: amounts due within one year included under current liabilities	**(4,181)**	(4,855)
Non-current portion	**13,848**	14,144

Notes:

(a) As at 30 June 2011, the bank loans are secured by property, plant and equipment with net book value HK$44 million. As at 31 December 2010, the bank loans were secured by property, plant and equipment with net book value HK$71 million and land use right with net book value HK$558 million.

(b) Bank borrowings drawn and listed notes issued by subsidiaries of the Group of HK$8,392 million (31 December 2010: HK$8,389 million) are secured by corporate guarantees provided by the Company.

(c) Loans from non-controlling equity holders of subsidiaries are unsecured, interest free and are repayable on demand except for a loan amount of HK$12 million which bears an interest at annual rate of 5.6% (31 December 2010: nil).

(d) Effective interest rates of the listed notes payable at the end of reporting period are as follows:

	30 June 2011	31 December 2010
US$300 million, 6.125% guaranteed listed notes maturing in 2013	**6.33%**	6.33%
US$500 million, 5.375% guaranteed listed notes maturing in 2015	**5.47%**	5.47%
US$200 million, 7.125% guaranteed listed notes maturing in 2018	**7.36%**	7.36%

20 Other financial liabilities (Continued)

Notes: (Continued)

(e) As at 30 June 2011, the Group has undrawn bank loan facilities amounting to HK$25,564 million (31 December 2010: HK$27,045 million), out of which HK$24,708 million (31 December 2010: HK$25,995 million) and HK$856 million (31 December 2010: HK$1,050 million) are committed and uncommitted credit facilities respectively.

(f) The other financial liabilities as at 30 June 2011 are repayable as follows:

	Bank borrowings HK$'milion	Listed notes payable HK$'million	Loans from non-controlling equity holders of subsidiaries HK$'million	Total HK$'million
Within 1 year	**4,141**	**—**	**40**	**4,181**
Between 1 and 2 years	**2,085**	**2,326**	**—**	**4,411**
Between 2 and 5 years	**2,578**	**3,879**	**—**	**6,457**
Wholly repayable within 5 years	**8,804**	**6,205**	**40**	**15,049**
Not wholly repayable within 5 years	**1,443**	**1,537**	**—**	**2,980**
	10,247	**7,742**	**40**	**18,029**

The other financial liabilities as at 31 December 2010 were repayable as follows:

	Bank borrowings HK$'milion	Listed notes payable HK$'million	Loan from a non-controlling equity holder of a subsidiary HK$'million	Total HK$'million
Within 1 year	4,827	—	28	4,855
Between 1 and 2 years	2,182	—	—	2,182
Between 2 and 5 years	2,813	6,203	—	9,016
Wholly repayable within 5 years	9,822	6,203	28	16,053
Not wholly repayable within 5 years	1,410	1,536	—	2,946
	11,232	7,739	28	18,999

20 Other financial liabilities (Continued)

Notes: (Continued)

(g) The effective interest rates of bank borrowings were as follows:

	30 June 2011	31 December 2010
Hong Kong dollar	**0.74% to 6.14%**	0.74% to 5.60%
Renminbi	**4.78% to 6.98%**	4.59% to 5.81%

(h) The fair values of the long-term bank loans and the listed notes payable were HK$6,766 million (31 December 2010: HK$7,253 million) and HK$8,457 million (31 December 2010: HK$8,396 million) respectively. The fair values of long-term bank loans were determined by discounting the future cash flows at the current market interest rate available to the Group and the fair values of the listed notes payable were determined with reference to quoted market price. Other than long-term bank loans and the listed notes payable, the carrying amounts of the other financial liabilities approximated their fair values as at 30 June 2011.

21 Creditors and accruals

	30 June 2011 HK$'million	31 December 2010 HK$'million
Trade creditors (note (a))	**289**	418
Other payables and accruals	**3,092**	2,879
Dividend payable to the equity holders of the Company	**1,918**	—
Amount due to an intermediate holding company (note (b))	**4**	4
Amounts due to fellow subsidiaries (note (b))	**234**	197
Amounts due to associates (note (b))	**1**	1
Amount due to a jointly controlled entity (note (b))	**223**	3
Receipt in advance from sales of properties	**980**	880
	6,741	4,382

Notes:

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

	30 June 2011 HK$'million	31 December 2010 HK$'million
Not yet due	**53**	12
1 - 90 days	**197**	287
91 - 180 days	**12**	41
181 - 365 days	**11**	38
Over 365 days	**16**	40
	289	418

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

22 Commitments

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

	30 June 2011 HK$'million	31 December 2010 HK$'million
Company and subsidiaries		
Authorised but not contracted		
– Property, plant and equipment	**439**	285
– Land use rights	**10**	2
	449	287
Contracted but not provided for		
– Property, plant and equipment	**1,373**	1,305
– Land use rights	**326**	412
	1,699	1,717
The Group's share in jointly controlled entities		
Authorised but not contracted		
– Property, plant and equipment	**880**	119
Contracted but not provided for		
– Property, plant and equipment	**488**	879
	1,368	998
	3,516	3,002

(b) *Capital commitments for investments*

	30 June 2011 HK$'million	31 December 2010 HK$'million
Contracted but not provided for		
– Investments	**—**	92
– Ports projects	**598**	608
	598	700

22 Commitments (Continued)

(c) *Commitments under operating leases*

At 30 June 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land, buildings and property, plant and equipment as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Within one year	**116**	107
In the second to fifth year inclusive	**122**	111
After the fifth year	**54**	51
	292	269

(d) *Future operating lease receivables*

At 30 June 2011, the Group had future aggregate lease receivables under non-cancellable operating leases for land and buildings as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Within one year	**191**	123
In the second to fifth year inclusive	**316**	68
After the fifth year	**5**	—
	512	191

23 Changes in ownership interests in subsidiaries without change of control

(a) Acquisition of additional interest in a subsidiary

On 28 April 2011, a partially-owned subsidiary of the Group acquired 20% equity interest in China Merchants Maritime & Logistics (Shenzhen) Ltd. ("CMML") at a consideration of HK$119 million. Upon the completion of the acquisition, the effective interest held in CMML by the Group increased from 65.853% to 71.707%. The effect of changes in the ownership interest of the Group on the equity attributable to equity holders of the Company during the period is summarised as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Carrying amount of non-controlling interests acquired	**80**	—
Consideration paid to a non-controlling equity holder	**(119)**	—
Excess of consideration paid recognised within equity	**(39)**	—

(b) Capital contribution in a subsidiary by a non-controlling equity holder

Upon the capital contribution by a non-controlling equity holder, the effective interest held in Dongguan Chiwan Wharf Company Limited by the Group decreased from 29.267% to 24.877%. The effect of changes in the ownership interest of the Group on the equity attributable to equity holders of the Company during the period is summarised as follows:

	30 June 2011 HK$'million	31 December 2010 HK$'million
Capital injection received from a non-controlling equity holder	**110**	—
Carrying amount of non-controlling interests disposed of	**(81)**	—
Gain on disposal within equity	**29**	—
Gain on disposal within equity attributable to:		
– equity holders of the Company	**6**	—
– non-controlling interests	**23**	—
	29	—

24 Related party balances and transactions

The directors regard China Merchants Group Limited ("CMG"), a state-owned enterprise incorporated in the PRC and is controlled by the PRC Government as being the Company's ultimate holding company.

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are both subject to control or joint control by the same entity. If one entity controls or jointly controls a second entity, and the first entity has significant influence over a third party, then the second and third entities are also related to each other. Conversely, if two entities are both subject to significant influence by the same entity, the two entities are not related to each other. Related parties may be individuals or entities.

In addition to the related party information and transactions disclosed elsewhere in this condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

(a) Balances and transactions with CMG, its subsidiaries, associate and jointly controlled entities (together, "CMG Group")

	Note	**Six months ended 30 June**	
		2011	2010
		HK$'million	HK$'million
Rental income from	(i)		
– an intermediate holding company		**13**	11
– fellow subsidiaries		**6**	5
Rental expenses paid to fellow subsidiaries	(i)	**42**	42
Service income from	(ii)		
– an associate		**—**	2
– fellow subsidiaries		**5**	1
– a jointly controlled entity		**40**	1
Service fee paid to			
– fellow subsidiaries	(iii)	**6**	3
– jointly controlled entities	(iv)	**—**	3
Interest expense paid to	(v)		
– the ultimate holding company		**51**	48
– an intermediate holding company		**13**	17

24 Related party balances and transactions (Continued)

(a) *Balances and transactions with CMG, its subsidiaries, associate and jointly controlled entities (together, "CMG Group")* (Continued)

Notes:

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

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

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

(iv) The jointly controlled entities provided information technology systems and services to the Group. The service fees were charged with reference to market rates.

(v) Interest expenses were charged at interest rate as specified in notes 18 and 19 to the condensed consolidated interim financial information on the outstanding amounts due to ultimate holding company.

(vi) As at 30 June 2011, the Group placed deposits of HK$1,484 million (31 December 2010: HK$1,816 million) with and drew bank loans of HK$2,202 million (31 December 2010: HK$1,703 million) from China Merchants Bank, an associate of CMG Group. During the period, interest income from and interest expense paid and payable to China Merchants Bank amounted to HK$13 million (2010: HK$5 million) and HK$55 million (2010: HK$5 million) respectively.

The balances with entities within CMG Group as at 30 June 2011 are disclosed in notes 16, 18, 19 and 21 to this condensed consolidated interim financial information.

24 Related party balances and transactions (Continued)

(b) Balances and transactions with non-controlling equity holders of subsidiaries

(i) Service expense of HK$9 million was charged by a non-controlling equity holder of a subsidiary in accordance with the agreement and negotiated on an arm-length basis for the six months ended 30 June 2010. There was no transaction with the non-controlling equity holder for the six months ended 30 June 2011.

(ii) In 2010, the Group acquired unlisted convertible preference shares issued by a non-controlling equity holder of subsidiaries, Americold Realty Trust. As at 30 June 2011, the carrying value of the financial asset at fair value through profit or loss is HK$390 million (31 December 2010: HK$382 million).

(iii) On 28 April 2011, a partially-owned subsidiary of the Group acquired 20% equity interest in CMML, from a subsidiary of China Merchants Shekou Industrial Zone Company Limited, an indirect wholly-owned subsidiary of CMG at a consideration of HK$119 million. The principal activity of CMML is provision of container related logistics services (note 23(a)).

The balance with non-controlling equity holders of subsidiaries are disclosed in note 20 to this condensed consolidated interim financial information.

(c) Key management compensation

	Six months ended 30 June	
	2011	2010
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**9**	2

25 Events after the reporting period

On 12 August 2011, the Group entered into a BOT Agreement with Sri Lanka Ports Authority through its directly held partially-owned subsidiary for the right to construct, operate, manage and develop Colombo South Container Terminal for 35 years.

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