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

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

- Throughput of containers handled reached 38.52 million TEUs, up 18.1% (2013: 32.63 million TEUs)
- Throughput of bulk cargoes handled reached 181 million tonnes, up 2.6% (2013: 177 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$2,149 million, up 11.1% (2013: HK$1,935 million)
  - √ HK$2,185 million, up 14.6%, from ports operation (2013: HK$1,906 million)
- Recurrent profit attributable to equity holders of the Company amounted to HK$2,106 million, up 15.7% (2013: HK$1,820 million)
- Basic earnings per share totaled 83.46 HK cents, up 7.5% (2013: 77.67 HK cents)
- Interim dividend of 22 HK cents per share (2013: 22 HK cents per share)

2014 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Holdings (International) Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	**Unaudited** 2014 *HK$'million*	2013 *HK$'million*
Revenue	2	3,924	3,745
Cost of sales		(2,223)	(2,025)
Gross profit		1,701	1,720
Other gains, net	4	53	205
Other income	4	118	97
Administrative expenses		(443)	(410)
Operating profit		1,429	1,612
Finance income	5	46	33
Finance costs	5	(563)	(498)
Finance costs, net	5	(517)	(465)
Share of profits less losses of			
Associates		1,761	1,450
Joint ventures		193	139
		1,954	1,589
Profit before taxation		2,866	2,736
Taxation	6	(386)	(382)
Profit for the period	7	2,480	2,354
Attributable to:			
Equity holders of the Company		2,149	1,935
Non-controlling interests		331	419
Profit for the period		2,480	2,354
Dividend	8	560	555
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		83.46	77.67
Diluted (HK cents)		83.38	77.56

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Unaudited	
	2014	**2013**
	HK$'million	*HK$'million*
Profit for the period	2,480	2,354
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(503)	717
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	(157)	(376)
Share of investment revaluation reserve of associates	(25)	(55)
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	36	63
Total other comprehensive (expense)/income for the period, net of tax	(649)	349
Total comprehensive income for the period	1,831	2,703
Total comprehensive income attributable to:		
Equity holders of the Company	1,566	2,215
Non-controlling interests	265	488
	1,831	2,703

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Unaudited 30 June 2014 HK$'million	Audited 31 December 2013 HK$'million
ASSETS			
Non-current assets			
Goodwill		3,310	3,318
Intangible assets		5,720	5,274
Property, plant and equipment		19,021	19,034
Investment properties		1,855	1,839
Land use rights		7,905	7,967
Interests in associates		35,908	36,213
Interests in joint ventures		6,278	5,729
Other financial assets		2,500	2,523
Other non-current assets		1,575	1,371
Deferred tax assets		108	121
		84,180	83,389
Current assets			
Inventories		116	94
Other financial assets		592	558
Debtors, deposits and prepayments	10	3,334	1,627
Taxation recoverable		—	1
Cash and bank balances		15,673	3,205
		19,715	5,485
Non-current assets held for sale		314	317
		20,029	5,802
Total assets		104,209	89,191

	Note	Unaudited 30 June 2014 HK$'million	Audited 31 December 2013 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		16,973	253
Mandatory convertible securities		15,287	—
Reserves		31,249	46,956
Proposed dividend	8	560	1,390
		64,069	48,599
Non-controlling interests		7,949	7,827
Total equity		72,018	56,426
LIABILITIES			
Non-current liabilities			
Loans from shareholders		5,560	10,013
Other financial liabilities		12,172	14,528
Other non-current liabilities		1,536	1,523
Deferred tax liabilities		1,949	1,949
		21,217	28,013
Current liabilities			
Creditors and accruals	11	3,967	2,126
Loans from shareholders		932	78
Other financial liabilities		5,787	2,339
Taxation payable		288	209
		10,974	4,752
Total liabilities		32,191	32,765
Total equity and liabilities		104,209	89,191
Net current assets		9,055	1,050
Total assets less current liabilities		93,235	84,439

NOTES:

1 **Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described therein.

<u>Adoption of new and revised HKFRSs effective during the period</u>

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The adoption of these new or revised HKFRSs above has had no material effect on the amounts reported in or disclosures set out in this condensed consolidated interim financial information.

2 **Revenue**

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

	Six months ended 30 June	
	2014	**2013**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	3,561	3,394
Logistics services income (including rental income)	341	331
Gross rental income from investment properties	22	20
	3,924	3,745

3 **Segment information**

The key management team of the Company is regarded as the chief operation decision-maker ("CODM"), who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The CODM manages the Group's operations by divisions from both a business and geographic perspective.

Individual operating segments are operated by their respective management teams for which discrete financial information is available are identified by the CODM and are aggregated in arriving at the reportable segments of the Group.

From a business and financial perspective, management assesses the performance of the Group's business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation is further evaluated on a geographic basis as set out below:

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta excluding Hong Kong ("PRD excluding HK")
- Hong Kong
- Yangtze River Delta
- Others

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

(ii) Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

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

Over 90% of the revenue of the Group for each of the six-month periods ended 30 June 2014 and 2013 were derived in Mainland China.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the six-month periods ended 30 June 2014 and 2013.

As at 30 June 2014, non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located is as follows:

	30 June 2014 *HK$'million*	31 December 2013 *HK$'million*
Mainland China, Hong Kong and Taiwan	65,136	65,509
Other locations	16,436	15,236
	81,572	80,745

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

	For the six months ended 30 June 2014									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE										
Company and subsidiaries	3,035	93	—	330	103	3,561	341	—	22	3,924
Share of associates	100	498	4,217	—	660	5,475	77	10,240	825	16,617
Share of joint ventures	4	9	173	1,046	—	1,232	3	—	—	1,235
Total segment revenue	3,139	600	4,390	1,376	763	10,268	421	10,240	847	21,776

	For the six months ended 30 June 2013									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
REVENUE										
Company and subsidiaries	3,002	88	—	304	—	3,394	331	—	20	3,745
Share of associates	96	457	4,181	—	380	5,114	86	9,028	1,095	15,323
Share of joint ventures	1	5	180	877	—	1,063	—	—	—	1,063
Total segment revenue	3,099	550	4,361	1,181	380	9,571	417	9,028	1,115	20,131

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

	For the six months ended 30 June 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,229	19	61	132	(38)	1,403	80	–	38	(92)	(54)	1,429
Share of profits less losses of												
- Associates	32	82	906	–	323	1,343	20	332	66	–	66	1,761
- Joint ventures	–	–	54	142	–	196	(3)	–	–	–	–	193
	1,261	101	1,021	274	285	2,942	97	332	104	(92)	12	3,383
Finance costs, net	(38)	–	–	(26)	(9)	(73)	(12)	–	–	(432)	(432)	(517)
Taxation	(213)	(3)	(90)	(25)	(9)	(340)	(23)	(15)	(4)	(4)	(8)	(386)
Profit/(loss) for the period	1,010	98	931	223	267	2,529	62	317	100	(528)	(428)	2,480
Non-controlling interests	(308)	–	–	(22)	(14)	(344)	13	–	–	–	–	(331)
Profit/(loss) attributable to equity holders of the Company	702	98	931	201	253	2,185	75	317	100	(528)	(428)	2,149
Other information:												
Depreciation and amortisation	453	5	–	62	35	555	72	–	–	3	3	630
Capital expenditure	177	3	–	40	1,307	1,527	67	–	–	1	1	1,595

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

	For the six months ended 30 June 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,354	9	63	93	(25)	1,494	117	(10)	82	(71)	11	1,612
Share of profits less losses of												
- Associates	28	115	813	–	168	1,124	26	175	125	–	125	1,450
- Joint ventures	–	–	62	77	–	139	–	–	–	–	–	139
	1,382	124	938	170	143	2,757	143	165	207	(71)	136	3,201
Finance costs, net	(61)	–	–	(18)	(2)	(81)	(16)	–	–	(368)	(368)	(465)
Taxation	(239)	(1)	(79)	(21)	(6)	(346)	(22)	(8)	(7)	1	(6)	(382)
Profit/(loss) for the period	1,082	123	859	131	135	2,330	105	157	200	(438)	(238)	2,354
Non-controlling interests	(388)	–	–	(19)	(17)	(424)	5	–	–	–	–	(419)
Profit/(loss) attributable to equity holders of the Company	694	123	859	112	118	1,906	110	157	200	(438)	(238)	1,935
Other information:												
Depreciation and amortisation	455	4	–	55	1	515	70	–	–	3	3	588
Capital expenditure	564	–	–	165	806	1,535	232	–	–	–	–	1,767

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

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

	As at 30 June 2014											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	25,537	213	2,559	3,978	10,838	43,125	4,494	231	1,952	11,799	13,751	61,601
Interests in associates	1,369	1,585	15,713	–	6,536	25,203	435	7,204	3,066	–	3,066	35,908
Interests in joint ventures	3	6	947	5,318	–	6,274	4	–	–	–	–	6,278
Total segment assets	26,909	1,804	19,219	9,296	17,374	74,602	4,933	7,435	5,018	11,799	16,817	103,787
Non-current assets held for sale	–	–	–	58	–	58	256	–	–	–	–	314
	26,909	1,804	19,219	9,354	17,374	74,660	5,189	7,435	5,018	11,799	16,817	104,101
Deferred tax assets												108
Total assets												104,209
LIABILITIES												
Segment liabilities	(4,593)	(32)	–	(1,580)	(6,131)	(12,336)	(1,085)	–	(8)	(16,525)	(16,533)	(29,954)
Taxation payable												(288)
Deferred tax liabilities												(1,949)
Total liabilities												(32,191)

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

As at 31 December 2013

	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	25,087	198	1,810	3,702	8,943	39,740	4,512	–	1,749	809	2,558	46,810
Interests in associates	1,369	1,635	15,850	–	6,545	25,399	454	7,181	3,179	–	3,179	36,213
Interests in joint ventures	3	6	901	4,819	–	5,729	–	–	–	–	–	5,729
Total segment assets	26,459	1,839	18,561	8,521	15,488	70,868	4,966	7,181	4,928	809	5,737	88,752
Non-current assets held for sale	–	–	–	59	–	59	258	–	–	–	–	317
	26,459	1,839	18,561	8,580	15,488	70,927	5,224	7,181	4,928	809	5,737	89,069
Taxation recoverable												1
Deferred tax assets												121
Total assets												89,191
LIABILITIES												
Segment liabilities	(4,793)	(37)	–	(1,594)	(4,210)	(10,634)	(992)	–	(7)	(18,974)	(18,981)	(30,607)
Taxation payable												(209)
Deferred tax liabilities												(1,949)
Total liabilities												(32,765)

4 **Other gains, net and other income**

	Six months ended 30 June 2014	2013
	HK$'million	*HK$'million*
Other gains, net		
Increase in fair value of investment properties	19	62
Increase in fair value of financial asset at fair value through profit or loss	34	70
Gain on disposal of property, plant and equipment	28	1
Net exchange (losses)/gains	(28)	72
	53	205
Other income		
Dividend income from available-for-sale financial assets		
- listed equity investments	61	63
- an unlisted equity investment	16	15
Dividend income from financial asset at fair value through profit or loss	12	10
Others	29	9
	118	97

5 **Finance income and costs**

	Six months ended 30 June	
	2014	**2013**
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	41	25
Others	5	8
	46	33
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	(67)	(105)
- not wholly repayable within five years	(72)	(15)
Listed notes payable		
- wholly repayable within five years	(162)	(231)
- not wholly repayable within five years	(100)	(100)
Unlisted notes wholly repayable within five years	(47)	(17)
Loans from:		
- a non-controlling equity holder of a subsidiary	(7)	(5)
- shareholders	(199)	(80)
Others	(5)	(39)
Total borrowing costs incurred	(659)	(592)
Less: amount capitalised on qualifying assets (Note)	96	94
Finance costs	(563)	(498)
Finance costs, net	(517)	(465)

Note:

Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 4.73% per annum (2013: 4.68% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of People's Republic of China (the "**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied if such companies are the beneficial owner of over 25% of these PRC entities according to PRC tax regulations.

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

The amount of taxation charged to the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2014	**2013**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	5	1
PRC corporate income tax	201	235
PRC withholding income tax	123	109
Overseas withholding income tax	12	5
Deferred taxation	45	32
	386	382

7 Profit for the period

	Six months ended 30 June	
	2014	**2013**
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Cost of inventories	17	18
Staff costs (including Directors' and chief executive's emoluments)	689	594
Depreciation of property, plant and equipment	529	479
Amortisation of intangible assets and land use rights	101	109
Operating lease rentals in respect of		
- land and buildings	145	110
- plant and machinery	15	18

8 Dividend

	Six months ended 30 June	
	2014	**2013**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2013: 22 HK cents) per share	560	555

At a meeting held on 28 August 2014, the Board of Directors proposed an interim dividend of 22 HK cents per share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014.

The amount of interim dividend for 2014 was based on 2,546,717,460 (2013: 2,522,677,151) shares in issue as at 28 August 2014.

9 **Earnings per share**

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

	Six months ended 30 June 2014	2013
Basic		
Profit attributable to equity holders of the Company (HK$'million)	2,149	1,935
Weighted average number of ordinary shares in issue (Note (a))	2,574,669,596	2,491,802,610
Basic earnings per share (HK cents)	83.46	77.67
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	2,149	1,935
Weighted average number of ordinary shares in issue (Note (a))	2,574,669,596	2,491,802,610
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	2,388,429	3,633,182
Weighted average number of ordinary shares for diluted earnings per share	2,577,058,025	2,495,435,792
Diluted earnings per share (HK cents)	83.38	77.56

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the period and (ii) the ordinary shares that will be issued upon conversion of the Mandatory Convertible Securities ("MCS") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represents the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options. Calculation to determine the number of shares that could have been acquired at fair value (determined as the average interim market share price of the Company's shares) is based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,171 million (31 December 2013: HK$895 million).

The Group has a credit policy of allowing an average credit period of 90 days (2013: 90 days) to its trade customers. The ageing analysis of the trade debtors, net of provision for impairment of trade debtors, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30 June 2014	**31 December 2013**
	HK$'million	*HK$'million*
Not yet due	485	287
Days overdue		
- 1 - 90 days	605	508
- 91 - 180 days	48	78
- 181 - 365 days	18	16
- Over 365 days	15	6
	1,171	895

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$234 million (31 December 2013: HK$334 million). The ageing analysis of the trade creditors is as follows:

	30 June 2014	**31 December 2013**
	HK$'million	*HK$'million*
Not yet due	160	155
Days overdue		
- 1 - 90 days	23	102
- 91 - 180 days	6	6
- 181 - 365 days	3	8
- Over 365 days	42	63
	234	334

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$560 million for the six months ended 30 June 2014 (representing a dividend payout of 26.1%) by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend (or part thereof) in cash in lieu of such allotment (2013: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 27 November 2014 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 6 October 2014 (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 20 October 2014. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 27 November 2014.

CLOSURE OF REGISTER

The Register of Members will be closed from 26 September 2014 to 6 October 2014 (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 Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 25 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

During the period under review, global economy has been steadily recovering though at paces slower than expected. Along with adjustments in developed economies' fiscal rectification measures and the appropriate easing of their respective monetary policies came the revival of consumption demand although investment appetite in these economies continued to remain weak. The US economy has shown signs of revival but its progress was milder than expected, whereas that for the Euro-zone while being back on track has yet to take time to reflect sustainability. Japan's economy which has gained from the stimulus induced by fiscal policies implemented has yet to restore its long-term growth momentum. In the meantime, all major developed economies are faced with the medium-term risks of stagnation. As for the emerging economies, being deterred by the sluggish growth in demand of developed economies and problems derived from each of their respective economic structures, they have yet to extricate themselves from the decelerated economic growth trends currently prevailing, while being compounded with risks such as financial structures suddenly worsening, or capital liquidity reversing flow directions, etc. The International Monetary Fund ("**IMF**") has expressed concerns over the risks of the global economy trending downwards. That recent tensions in the Middle East which have triggered the risk of another round of oil price rising and the geopolitical conflicts related to Ukraine continuing suggested that globally geopolitical risks have been intensifying. In its latest "Global Economic Prospects" report published on 10 June 2014, the World Bank revised downward its expectations for 2014's global economic growth, though believing that the factors that slowed the growth are temporary. This report forecasted global economy to grow at 2.8% in 2014, lowered from the forecast of a 3.2% growth made in January. The IMF, in its report published in July, also lowered its 2014 growth forecast for the global economy, which is now expected to grow at 3.4%, up 0.2 percentage point from 2013 but down 0.3 percentage point from an earlier forecast made in its April report, amongst which, developed economies were expected to grow by 1.8%, up 0.5 percentage point from 2013; while developing economies were expected to grow by 4.6%, down 0.1 percentage point from 2013. Global trade volume (including goods and services) was expected to grow by 4.0%, representing a year-on-year increase of 0.9 percentage point but down 0.3 percentage point from its forecast made earlier this year.

In the first half of the year, along with a decline in China's GDP growth to 7.4% was a significant slowdown in its foreign trade growth, with its total import and export value amounting to US$2,020.9 billion from January to June this year, reflecting a year-on-year increase of 1.2%, and a 7.4-percentage-point decrease in the growth rate, within which total export value was US$1,061.9 billion, indicating a 0.9% year-on-year increase, and a 9.5-percentage-point decrease in the growth rate; while total import value was US$959.0 billion, representing a 1.5% year-on-year increase, and a 5.2-percentage-point decrease in the growth rate.

In tandem with the slow recovery in the global economy, growth in China's foreign trade has also shown signs of deceleration. Data published by the Ministry of Transport suggested that container throughput handled by Chinese ports of significant scale totaled 96.70 million TEUs during the first half of 2014, representing a year-on-year increase of 5.7% but 2.6 percentage points down as compared to the growth rate for the same period last year.

In the first half of 2014, the Group's ports handled a total container throughput of 38.52 million TEUs, a year-on-year increase of 18.1% due in part to new volumes contributed by port assets acquired during 2013. Bulk cargo volume handled by the Group's ports totaled 181 million tonnes, registering a 2.6% year-on-year growth. China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is its single largest shareholder, saw an overall improvement in its performance of its container manufacturing business amid a stronger demand in containers, recording sales of 0.70 million TEUs of dry cargo containers and reefers during the first half of the year, up 0.7% year-on-year.

For the six months ended 30 June 2014, profit attributable to equity holders of the Company amounted to HK$2,149 million, representing a year-on-year increase of 11.1%. Of this amount, recurrent profit [Note 1] was HK$2,106 million, up 15.7% as compared to the same period in the previous year, with resilient performance delivered by the Group's existing port portfolio (and helped by the contribution from new overseas assets acquired last year) and improved results reported by the Group's port-related manufacturing business. EBITDA [Note 2] of the Group amounted to HK$6,434 million (up 7.3% year-on-year), within which HK$5,221 million (up 9.3% year-on-year) was derived from the Group's core ports operation, accounting for 81.1% of the Group's total.

Business review

Ports operation

During the period under review, EBIT [Note 3] derived from the Group's ports operation amounted to HK$3,849 million, representing a year-on-year increase of 9.3% and accounting for 82.1% of the Group's total EBIT, up from 80.4% last year.

In the first half of the year, the Group's ports in Mainland China handled a total container throughput of 28.53 million TEUs, up 2.3% year-on-year, thus sustaining the Group's leading position among China port operators. The Group handled a

Note 1 Profit attributable to equity holders of the Company before non-recurrent gains, net of tax. Non-recurrent gains include: for both 2014 and 2013, change in fair value of investment properties and financial asset at fair value through profit or loss.

Note 2 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 joint ventures

Note 3 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 joint ventures.

combined container throughput of 3.73 million TEUs in Hong Kong and Taiwan, representing a year-on-year increase of 12.9%. In addition, with the acquisition of equity stakes in Port de Djibouti S.A. ("**PDSA**") in Djibouti, East Africa, and in Terminal Link SAS ("**Terminal Link**") completed in the first half of 2013, together with the commencement of operations of Colombo International Container Terminals Limited ("**CICT**") in July 2013, throughput handled by the Group's overseas projects more than tripled from the same period of last year, recording 6.26 million TEUs during the period.

In Mainland China, the performance of container port operations varied across regions. In the Pearl River Delta region, the Group's terminals at Western Shenzhen handled 5.20 million TEUs in the first half of the year, down 7.4% year-on-year due mainly to improvement efforts towards quality container box mix; Chu Kong River Trade Terminal Co., Ltd. handled 0.58 million TEUs, up 3.5% year-on-year. In the south-eastern coastal China, Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") handled container throughput of 0.21 million TEUs in the first half of the year, showing a decline year-on-year owing to the adjustments in cargo mix. In the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd ("**SIPG**") recorded a throughput volume of 17.26 million TEUs, up 5.7% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd. handled 1.21 million TEUs, or a year-on-year increase of 16.4%. In the Bohai Rim region, building on the rapid growth in throughput volume in recent years, Qingdao Qianwan United Container Terminal Co., Ltd. has, during the period under review, sought to improve shipping routes mix, in turn volume mix thereby enhancing its profitability, resulting in significant improvements in its operating results against a slight decline of its container throughput by 6.1% to 2.58 million TEUs. Tianjin Five Continents International Container Terminals Co., Ltd. handled 1.26 million TEUs with a year-on-year growth of 8.3%. The Group's port operations in Hong Kong and Taiwan delivered a growth rate higher than the region's average, with China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong handling a combined container throughput of 3.11 million TEUs, or a 12.8% increase year-on-year, while Kao Ming Container Terminal Corporation of Taiwan delivered a container throughput of 0.61 million TEUs, up 13.8% year-on-year. On the overseas front, with additional throughput contributed by Terminal Link and CICT, which handled container throughput of 5.34 million TEUs and 0.28 million TEUs respectively, total container throughput handled by the Group's overseas operations amounted to 6.26 million TEUs during the first half of 2014, more than tripling that in the same period of last year. On the other hand, Tin-Can Island Container Terminal Limited in Nigeria has recorded a total container throughput of 0.21 million TEUs, down slightly by 1.6% year-on-year; while PDSA, in which the Group acquired an equity stake in early 2013, handled container throughput of 0.43 million TEUs, an increase of 30.7% year-on-year.

The Group's bulk cargo handling operation recorded a total throughput volume of 181 million tonnes during the period under review, up 2.6% year-on-year, with mixed performance seen in different terminals. The Group's ports in Western Shenzhen handled 12.81 million tonnes during the first half of the year, down 28.6% year-on-year, due mainly to the business transformations pursued by the Group in the Pearl River Delta region; Dongguan Machong Terminal, on the other hand, with an addition of new capacity, handled 4.75 million tonnes, more than doubling that of the same period last year. In the south-eastern coastal China, ZCMP handled 5.20 million tonnes, up 12.2% year-on-year. In the Yangtze River Delta region, SIPG handled 97.13 million tonnes, down 5.5% year-on-year. In the Bohai Rim region, due to the relocation of the ore handling business to Dongjiakou, Qingdao Qianwan West Port United Terminal Co., Ltd. handled a throughput of 8.42 million tonnes, down 36.3% on a year-on-year basis; Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("**Dongjiakou Terminal**"), the formation of and capital injection into which by the Group to the extent of 25% of its registered capital was completed during the period, contributed an additional throughput of 12.93 million tonnes to the Group. In the south-western coastal China, Zhanjiang Port (Group) Co., Ltd handled 37.80 million tonnes, up 13.0% year-on-year, while on the overseas front, throughput handled by PDSA was down slightly by 1.6% on a year-on-year basis to 1.83 million tonnes.

During the first half of the year which was prevailed with adverse external operating environment, the Group, guided by its directives of "integrating and optimizing resources, transforming and refining operations, intensifying the execution of strategies, thereby elevating the business scale, service quality and asset efficiency", has initiated various tasks during the period. On the one hand, following the industry trends, the Group has been enhancing asset efficiency through measures including integration of resources, transformation and upgrade of businesses and enhancement of operational management; while on the other, guided by its established strategies, the Group has deepened its efforts in implementing its domestic strategies, overseas strategies and innovation strategies, whilst proactively exploring the extension of value chain and innovation of business models, with an aim of enabling itself to effectively capture the available market opportunities, and in turn creating new drivers for the Group to grow sustainably.

Concerning overseas expansion, ongoing progress has been made as planned during the first half of 2014. An implementation agreement was signed in January with the Government of the United Republic of Tanzania regarding the Bagamoyo Project, signifying a milestone of the project, while the construction for Lomé Container Terminal in West Africa has been progressing as scheduled, with the completion expected by the end of this year. Elsewhere, having commenced its first phase of operation in July 2013 and completed the construction of the entire project during the period, CICT, the Group's first ever overseas greenfield project, delivered an operational performance that was in line with expectation, contributing container throughput of 0.28 million TEUs during the period under review, thus allowing the Group to gain extensive experience in the development and operation of overseas projects.

Regarding the on-going establishment of its West Shenzhen homebase ports, leveraging on the foundation built upon the acquisition of additional stake in and entrustment arrangement relating to Shenzhen Chiwan Wharf Holdings Limited made last year, and conforming to the industry development trends and the urbanization process in the region, the Group has been actively seeking to transform and upgrade the West Shenzhen Port Zone, with an aim of optimizing resources allocation and enhancing assets efficiency. The South China Container Terminal ("**SCCT**"), a management unit overseeing the container handling ports in the West Shenzhen Port Zone, continued to dedicate its efforts in consolidating the ports within the region, an example of which is the integration of the ports under SCCT's management with Jetty Two West currently operated by China Merchants Port Services (Shenzhen) Co., Ltd., a subsidiary of the Group, which is of significant importance to the Group in terms of synchronization of resources, the creation of synergies and the elevation of overall competitiveness of the West Shenzhen Port Zone. The Group's self-developed container terminal operation system, "CM Port", went live successfully in Shekou Container Terminals Limited ("**SCT**") during the period, symbolizing a noticeable progress made towards the adoption of a terminal operating system developed by a subsidiary of the Group, China Merchants Holdings (International) Information Technology Company Limited, by all terminals in the West Shenzhen Port Zone. Besides, the Shenzhen Government has given its in-principle agreement to enlarging the Qianhaiwan Free Trade Port Area and the road network refinement in the West Shenzhen Port Zone proximity continued to progress as planned, altogether facilitating the inland ports located in the Pearl River Delta region and the sea-rail link to steadily capture business potential in the proximity.

As regards the Group's China operation outside of the West Shenzhen Port Zone, having completed the equity injection in Dongjiakou Terminal in March, the Group has also become the second largest shareholder of Qingdao Port International Co., Ltd. by acquiring as a promoter additional equity stake when the latter went public in June and became listed on the main board of the Stock Exchange. These equity investments combined would further strengthen and deepen the already-established long-term partnership between, and thus bringing mutual benefits to, the parties involved.

As for the managing of ports operation, the Group has continued to work with an internationally well-known consultancy firm on not only the initiation of a standardized system for container handling operation, but also the design and development of an operational refinement platform, with a goal to comprehensively enhance operational management quality. The operational refinement platform was put into trial run during the period, allowing the Group to maintain a unified corporate database, through which the Group will be able to establish sets of quantitative performance evaluation mechanism with the aid of advanced information technologies, thereby applying the concept of refining operational management in practical ways, and in turn elevating the efficiency of decision-making and quality of operational management. Meanwhile, to adapt to the ever-changing market and development trends of the industry, the Group has also been actively promoting innovative management by setting up an innovation and development committee alongside an incentive scheme to encourage innovation from the aspects of technology and technical process, management and business model, all in all with an aim of bringing the Group's innovation management to a higher level.

Bonded logistics and cold chain operations

For the six months ended 30 June 2014, the Group's bonded logistics and cold chain operations recorded EBIT of HK$99 million, down 32.7% year-on-year.

During the first half of 2014, the Group's bonded logistics operation continued to show rapid growth. Capitalizing on the development opportunities availed from the latest development at Qianhai Cooperation Zone and the preferential policies offered at the Qianhai Bonded Port Zone, China Merchants Bonded Logistics Co., Ltd. ("**CMBL**"), a subsidiary of the Group, has been actively pursuing the innovation of bonded logistics operation model and exploring potential business opportunities offered through cross-border trading activities and cooperation between Shenzhen and Hong Kong through the extension of the port's value chain. During the first half of the year, backed by the relevant government authorities, CMBL has successfully launched the tax refund service for the "last mile" cross-border e-commerce exports during the period, signifying the extension of the cross-border e-commerce export business to the entire supply chain, putting the Group in a favourable position in promoting business, exploring potential markets, as well as nurturing new profit growth driver. Under the philosophy of "business model and service innovation, and efficiency enhancement", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has dedicated its efforts in developing the consolidation and deconsolidation business for international transshipment cargoes, expanding service capabilities, and integrating traditional with new business models, thus achieving noticeable growth in its operational results during the period. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobile (in whole) with a view to building up its unique competitive edge. Against the backdrop of a feeble growth in global economic and trade activities, the Group's bonded logistics business has demonstrated a consistent and rapid growth momentum, which reflected not only the ever-increasing synergy via collaboration between bonded logistics parks and their corresponding port zones, but also the value of the Group's strategy in extending the port's value chain and developing bonded logistics business.

China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, the Group's cold chain logistics operation platform, managed 13 cold storage warehouses with a gross floor area of approximately 150 thousand square meters in China during the period, with a stable business scale and relatively solid market reputation and brand appreciation.

During the period under review, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 1.85 million tonnes, representing an increase of 9.0% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.30 million tonnes of cargoes, down 19.0% year-on-year.

Port-related manufacturing operation

During the period under review, EBIT generated by the Group's port-related manufacturing operation amounted to HK$485 million, up 13.1% year-on-year.

Stronger demand for containers during the traditional slack season, leading to more orders from customers, has resulted in a rebound in CIMC's container sales during the period. CIMC sold a total of 0.70 million TEUs of dry cargo containers and reefers, up 0.7% year-on-year, and recorded net profit of RMB1,035 million, up 87.5% year-on-year.

Financial review

For the six months ended 30 June 2014, revenue [Note 4] of the Group reached HK$21,776 million, up 8.2% year-on-year, with that from the Group's core ports operation rose 7.3% to HK$10,268 million (from HK$9,571 million during the same period last year), as a result of an improvement in the container mix of the Group's existing portfolio and added contribution from new overseas operations. Profit

Note 4 Revenue for the Company and its subsidiaries, and its share of revenue of associates and joint ventures attributable to equity holders of the Company for the six months ended 30 June 2014 amounted to HK$2,149 million, up 11.1% year-on-year. Of this amount, recurrent profit was HK$2,106 million (up 15.7% as compared to the same period in the previous year), driven by both continuing growth from existing ports and additions from overseas assets acquired last year, and with CIMC delivering an improved set of results.

EBITDA derived from the Group's core ports operation amounted to HK$5,221 million, up 9.3% year-on-year and accounting for 81.1% of the Group's total EBITDA, while EBITDA margin [Note 5] of the Group's core ports operation sustained at 50.8% (versus 49.9% in the same period last year) as costs, in particular labour cost, escalated have been somewhat mitigated by the Group's devoted efforts towards efficiency improvements.

In March 2014, the Group launched, by way of an open offer to qualifying shareholders, the MCS issue to raise not less than HK$15.3 billion, to be fully underwritten by China Merchants Union (BVI) Limited ("**CMU**") (which is 50% beneficially owned by the Company's ultimate holding company, China Merchants Group Limited). The MCS issue was successfully completed in June 2014, thereby improving the Group's capital structure, in turn lifting the Group's credit profile and enhancing its borrowing capabilities.

As at 30 June 2014, total assets of the Group was HK$104,209 million (31 December 2013: HK$89,191 million), representing an increase of 16.8% as compared with the last reporting date. The Group received net proceeds of HK$15,287 million upon the completion of the MCS issue, resulting in its cash and bank balances more than tripled to HK$15,673 million and a corresponding significant decrease in net borrowings (total interest bearing debt less cash and bank balances) to HK$8,778 million. Net assets attributable to equity holders of the Company was HK$64,069 million as at 30 June 2014, representing an increase of 31.8% over the last reporting date.

Net cash inflow from operating activities came in at HK$1,723 million, shortened by 1.0% year-on-year, with the Group's ports operation continuing to generate steady cash flows. Notwithstanding a substantially less spending on business acquisitions during the six months ended 30 June 2014, net cash outflow from investing activities rose to HK$8,195 million from HK$5,590 million a year ago, owing to a net increase in short-term time deposits with the net proceeds raised from the aforementioned MCS issue, which also resulted in a substantial increase in net cash inflow from financing activities to HK$12,253 million as compared to HK$4,933 million for the six months ended 30 June 2013.

Note 5 EBITDA as a percentage of revenue

Corporate social responsibility

While striving to continuously improve its operating results and generate returns for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and sustainable direction.

During the period under review, the Group has continued to work actively towards "green port" establishment orienting on innovative technology, along the direction of "energy saving, emission reduction and low-carbon green" as a means to fulfill its corporate social responsibility. Locating in the only low-carbon demonstration port zone in South China that is subsidized by the government, both SCT and Chiwan Container Terminal Co., Ltd., subsidiaries of the Group, have been working actively in terms of implementing the pilot programs relating to the establishment of low-carbon green ports. 13 key implementation programs, including the use of shore-power supply for vessels, LNG trailers and LED lamps, have been promoted, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable powered by clean and green energy.

The Group is committed to integrate its corporate core values into the community by taking active part in various community and charitable events with focuses on, amongst others, helping education, poverty alleviation, making charitable donations and offering community services, and fulfilling its social responsibility as a corporate citizen in facilitating a harmonious environment and sustainable development of our society.

Liquidity and treasury policies

As at 30 June 2014, the Group had approximately HK$15,673 million in cash, 46.9% of which was denominated in Hong Kong dollars, 5.8% in United States dollars, 19.1% in Renminbi and 28.2% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operation, property investment, and investment returns from associates and joint ventures, which together contributed HK$1,723 million in total.

During the period, the Group incurred capital expenditure amounting to HK$1,595 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position. In addition, as a significant portion of the Group's bank loans were medium- to long-term 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

In March 2014, the Group proposed to issue the MCS in the principal amount of not less than HK$15.3 billion by way of an open offer to qualifying shareholders at a subscription price of HK$30.26 on the basis of one unit of MCS for every five ordinary shares, with the aim of improving the Group's credit profile and enhancing its borrowing capabilities, and consequently bringing the Group's capital structure to an even healthier level. In June 2014, the issuance of MCS was completed whereby the Company received net proceeds of approximately HK$15,287 million by issuing 505,400,882 units of MCS, with CMU, which is 50% beneficially owned by the ultimate holding company of the Company, China Merchants Group Limited, fully underwriting the issue.

As at 30 June 2014, the Company had 2,527,004,412 shares in issue. During the period, the Company issued 314,000 new shares upon the exercise of share options and received net proceeds of approximately HK$7 million as a result. On 4 July 2014, the Company issued 19,687,031 shares under the Company's scrip dividend scheme.

As at 30 June 2014, the Group's net gearing ratio was approximately 12.2%.

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.

During the period, a non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note with maturity in 2015 for the amount of RMB400 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$13,433 million as at 30 June 2014 that contain customary cross default provisions.

As at 30 June 2014, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2014 *HK$'million*	**31 December 2013** *HK$'million*
Floating-rate bank borrowings which are repayable as follows (Note):		
Within 1 year	1,410	1,703
Between 1 and 2 years	1,185	244
Between 2 and 5 years	1,138	1,777
More than 5 years	2,878	1,720
	6,611	5,444
Fixed-rate listed notes payable which are repayable:		
In 2015	3,874	3,873
In 2018	1,538	1,537
In 2022	3,822	3,821
	9,234	9,231
Fixed-rate unlisted notes payable which are repayable:		
In 2014	—	636
In 2015	503	—
In 2017	627	633
In 2018	626	631
	1,756	1,900
Loans from the ultimate holding company which are repayable as follows:		
Within 1 year	112	78
Between 2 and 5 years	1,310	1,323
	1,422	1,401
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	820	—
Between 1 and 2 years	—	637
Between 2 and 5 years	126	—
	946	637

Note: All bank borrowings are unsecured except for HK$3,905 million (31 December 2013: HK$2,524 million).

	30 June 2014 HK$'million	31 December 2013 HK$'million
Loans from a shareholder		
Repayable between 2 and 5 years	4,124	8,053
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	358	292

The interest bearing debts are denominated in the following currencies:

	As at 30 June 2014							
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from a shareholder	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	3,927	9,234	—	—	—	—	—	13,161
RMB	1,383	—	1,756	—	946	1,422	—	5,507
EURO	1,301	—	—	4,124	—	—	358	5,783
	6,611	9,234	1,756	4,124	946	1,422	358	24,451

	As at 31 December 2013							
	Bank borrowings	Listed notes payable	Unlisted notes payable	Loans from a shareholder	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
HKD & USD	2,509	9,231	—	3,877	—	—	—	15,617
RMB	2,142	—	1,900	—	637	1,401	—	6,080
EURO	793	—	—	4,176	—	—	292	5,261
	5,444	9,231	1,900	8,053	637	1,401	292	26,958

Assets charge

As at 30 June 2014, bank loans of HK$3,905 million (31 December 2013: HK$2,524 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$32 million (31 December 2013: HK$34 million) and land use rights with carrying value of HK$7 million (31 December 2013: HK$7 million). In addition, the entire shareholdings in two subsidiaries as at 30 June 2014 and 31 December 2013, respectively owned by the Company and its subsidiary, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

Employees and remuneration

As at 30 June 2014, the Group employed 5,947 full time staff, of which 183 worked in Hong Kong, 5,561 worked in Mainland China, and the remaining 203 worked overseas. The remuneration paid for the period amounted to HK$689 million, representing 25.8% 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 discretionary 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 to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

Future prospects

Looking into the second half of the year, growth in the global economy is expected to encounter a lot of uncertainties. Factors such as geopolitical risks, directions of the monetary policies of developed economies like Europe, the US and Japan, the recovery momentum of the Euro Zone, and the duration of the consecutively-low growth environment of the emerging economies would, all of them, directly impact the global economy's growth performance in 2014. Global trade is unlikely to significantly improve in the near term and is expected to grow no more than 4%. In the maritime sector, the disapproval of the proposed formation of P3 alliance which has led to the immediate subsequent realignment of certain sizeable shipping liners would likely affect the market order of the shipping space and, in turn, bring about both new challenges and opportunities to the ports industry globally. As for China, bounded by policies that stress "industry upgrade and structural adjustments", its domestic economy is expected to grow at the 7.0% to 7.5% range, with stabilizing growth, implementing structural adjustments, and encouraging reforms identified as the key goals for the country to achieve sustainable economic development for the long term.

The Group is of the view that, although the traditional peak season in the second half of this year is expected to drive China's export trades, China's port industry would continue to be pressurised by the continuing decelerated growth, owing to the economic conditions, both external and domestic. Notwithstanding, with contributions from the newly added overseas projects, the performance of the Group's ports operation seen in the first half is expected to sustain throughout the remaining of the year.

For the second half of the year, guided by the already-established operation philosophies, the Group will continue to steadily expand its international footprint, intensify its efforts to refine its management system, enhance its asset efficiency, increase its efforts in business innovation and upgrade, and explore and nurture new business and income growth, all in all with a view to adding new driving forces for sustaining the Group's future development.

As for its business operation, the Group will continue to strive for enhancement of resource efficiency and asset utilisation at its homebase ports through optimizing resources allocation and integrating its operations, and will dedicate its effort in driving the development of key initiatives, including the upgrading of berths, improvements in channel capabilities, and streamlining of comprehensive cargo distribution capabilities based upon the barge network in the Pearl River Delta and sea-rail inter-modal transportation network. In addition, the Group will strengthen its intangible advantages by fully leveraging on preferential policies offered at the bonded port zones, improving bonded logistics operational model, promoting collaboration between logistics park and adjacent ports, and elevating these ports' ability in terms of attracting cargo convergence, while at the same time engage the Group in exploring new businesses along the value chain, and capturing potential business opportunities presented by cross-border e-commerce and bulk commodity trade.

As regards operational management, the Group will strive to enhance the timeliness and accuracy of management information gathered, through promoting the application of a sophisticated management information platform, based on which the key performance indicators are established, performance appraisal system are redesigned and management analysis and decision making tools are strengthened, thereby elevating management quality to a higher level. Meanwhile, through the construction of green ports, the Group will persistently facilitate technological reforms and process optimization, the active promotion of energy-saving and emission-reducing measures, and the extension in ports' capabilities both vertically and horizontally.

In terms of financial management, the MCS issue successfully completed during the first half of the year has greatly enhanced the Group's capital structure and significantly reduced its debt level. Simultaneously as the Group continues to be financially disciplined, the Group intends to, without compromising its adherence to maintaining a comfortable capital adequacy position, strive to boost its profitability, and in turn cultivate better return on equity.

Looking ahead, the second half of the year is faced with the combined backdrop of a slowly recovering global economy where growth is challenged with a number of uncertainties while the further rationalisation in forming alliances is expected of the international maritime industry. The Group's ports operation is expected to encounter new opportunities as well as challenges. Through clearly visualising the conditions prevailing and endeavouring to steadily progress, we would be able to navigate the Group's business sustainably forward and bring about sustainable growth and, in turn, deliver better investment return for shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2014.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 23 May 2014 to answer shareholders' questions.

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

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

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2014 interim report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmhi.com.hk in due course.

By Order of the Board
China Merchants Holdings (International) Company Limited
Li Jianhong
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board comprises Mr. Li Jianhong, Mr. Li Xiaopeng, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Yu Liming, Mr. Hu Jianhua, Mr. Wang Hong and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.