招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.

Stock Code 股份代號：00144

INTERIM REPORT 中期報告 2015

# WE CONNECT THE WORLD

# 2015
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深圳媽灣項目
Shenzhen Chiwan Wharf
深圳赤灣港航
Shenzhen Haixing Harbour Development
深圳海星港口發展
China Merchants Container Services
招商局貨櫃服務
Modern Terminals
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China Merchants Bonded Logistics
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Xiamen Haicang Xinhaida Container Terminal
廈門海滄新海達集裝箱碼頭

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青島港董家口礦石碼頭
Qingdao Port International
青島港國際

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

**Kaohsiung, Taiwan**
**台灣，高雄**

Kao Ming Container Terminal
高明貨櫃碼頭

# Corporate Information

## Board of Directors

Mr. Li Jianhong *(Chairman)*
Mr. Li Xiaopeng *(Vice Chairman)*
Mr. Li Yinquan (resigned on 13 March 2015)
Mr. Hu Zheng (resigned on 13 March 2015)
Mr. Meng Xi (resigned on 13 March 2015)
Mr. Su Xingang
Mr. Fu Gangfeng (appointed on 1 June 2015)
Mr. Yu Liming
Mr. Hu Jianhua (resigned as the Managing Director on 16 April 2015)
Mr. Wang Hong
Mr. Deng Renjie (appointed on 1 June 2015)
Mr. Bai Jingtao *(Managing Director)* (appointed on 1 June 2015)
Mr. Zheng Shaoping
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis*

* *independent non-executive director*

## Registered Office

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

## Company Secretary

Mr. Leung Chong Shun, Practising Solicitor

## Principal Bankers

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

## Auditor

Deloitte Touche Tohmatsu

## Legal Adviser

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

## Stock Code

00144

## Registrars

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

## Website

http://www.cmhi.com.hk

# Financial Highlights

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2015** | 2014 | Changes |
| | **HK$'million** | HK$'million | |
| **Consolidated statement of profit or loss highlights** | | | |
| **Revenue[1]** | **22,353** | 21,776 | 2.6% |
| **Profit attributable to equity holders of the Company** | **2,781** | 2,149 | 29.4% |
| Non-recurrent gains, net of tax[2] | **(315)** | (43) | 632.6% |
| **Recurrent profit** | **2,466** | 2,106 | 17.1% |
| **Earnings per share (HK cents)** | | | |
| Basic | **90.54** | 83.46 | 8.5% |
| Diluted | **90.41** | 83.38 | 8.4% |
| **Dividend per share (HK cents)** | | | |
| Interim dividend | **22.00** | 22.00 | 0.0% |
| **Consolidated statement of cash flows highlights** | | | |
| Net cash generated from operating activities | **2,672** | 1,723 | 55.1% |

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | Changes |
|---|---|---|---|
| **Consolidated statement of financial position highlights** | | | |
| Total assets | **102,764** | 102,436 | 0.3% |
| Capital and reserves attributable to equity holders of the Company | **71,071** | 67,430 | 5.4% |
| Net interest bearing debts[3] | **8,145** | 10,470 | (22.2%) |

| | For the six months ended 30 June 2015 HK$'million | 2014 HK$'million | Changes |
|---|---|---|---|
| **Revenue[1]** | | | |
| Ports operation | **10,746** | 10,268 | 4.7% |
| Bonded logistics and cold chain operations | **274** | 421 | (34.9%) |
| Port-related manufacturing operation | **10,347** | 10,240 | 1.0% |
| Other operations | **986** | 847 | 16.4% |
| **Total** | **22,353** | 21,776 | 2.6% |
| **EBITDA[4]** | | | |
| Ports operation | **5,420** | 5,221 | 3.8% |
| Bonded logistics and cold chain operations | **146** | 183 | (20.2%) |
| Port-related manufacturing operation | **1,033** | 688 | 50.1% |
| Other operations | **202** | 342 | (40.9%) |
| **EBITDA** | **6,801** | 6,434 | 5.7% |
| Unallocated net income/(expenses)[6] | **196** | (92) | (313.0%) |
| Net interest expenses[5] | **(699)** | (959) | (27.1%) |
| Taxation[5] | **(927)** | (886) | 4.6% |
| Depreciation and amortisation[5] | **(1,950)** | (1,744) | 11.8% |
| Non-controlling interests[5] | **(640)** | (604) | 6.0% |
| **Profit attributable to equity holders of the Company** | **2,781** | 2,149 | 29.4% |

1. Include revenue of the Company, its subsidiaries and share of revenue of its associates and joint ventures.
2. For 2015, include increase in fair value of investment properties of HK$3 million, gain on deemed disposal of interests in associates of HK$260 million and gain on disposal of subsidiaries of HK$52 million. For 2014, include increase in fair value of investment properties of HK$19 million and increase in fair value of financial asset at fair value through profit or loss, net of tax, of HK$24 million.
3. Interest bearing debts less cash and bank balances.
4. Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.
5. Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and joint ventures.
6. Include expenses for corporate function for both 2015 and 2014, and gain on deemed disposal of interests in associates and gain on disposal of subsidiaries in 2015.

# Management Discussion and Analysis

## General overview

During the period under review, the global economy has been growing at a moderate though slower than expected pace. Developed economies, with oil prices hovering at relatively low level in recent years and the continuation of appropriate monetary easing, have seen a gradual pickup in its economic growth. With the progress of revival of the US economy milder than expected, potential drivers in restoring US's consumption and investment demands, including wage increase, improving job market and the strengthening of the property market, remained intact. In the Euro zone, economic recovery was becoming more concrete, with its domestic demand growing and inflation pointing to a stronger outlook, despite the Greece's debt situation and the worsening Greek economy which should bring limited impact to the Euro Zone and other regions. Japan's economy which has been benefiting from the stimulus induced by fiscal policies implemented has yet to restore its long-term growth momentum. Deterred by lowering commodity price and tightening external financial conditions, as well as problems derived from each of their respective economic structures, the emerging economies have yet to extricate themselves from the prevailing deceleration of economic growth. The International Monetary Fund ("**IMF**") indicated that downward risk to the global economy, including disruptive shifts in asset price, an increased volatility in financial markets, the balance sheet and financing risks of US-dollar borrowers associated with a stronger US dollar, the unexpectedly fast decline in economic growth of certain emerging economies and of China, and the intensifying geopolitical risks in Ukraine, the Middle East and certain areas in Africa, persisted. In its latest "World Economic Outlook" report published on 9 July 2015, the IMF revised downward its projections for 2015's global economic growth to 3.3%, down 0.1 percentage point as compared to that of 2014, and down 0.2 percentage point as compared to its earlier forecast made in its April report; within which developed economies were expected to grow by 2.1%, up 0.3 percentage point from 2014; while emerging markets and developing economies were expected to grow by 4.2%, down 0.4 percentage point as compared to that of 2014.

In the first half of the year, though China was able to deliver a GDP growth that was broadly in-line with its annual target of 7%, prospects look challenging as foreign trade growth turned negative. China's total import and export value amounted to US$1,880.8 billion during the period under review, representing a year-on-year decrease of 6.9%, within which total export value was US$1,072.0 billion, or a slight year-on-year increase of 1.0%, while total import value was US$808.8 billion, reflecting a 15.5% decline year-on-year.

In tandem with the sluggish recovery of global economy and a negative growth seen in China's foreign trade data, global ports industry was continuing its trend of decelerating growth. Data published by the Ministry of Transport of China suggested that container throughput handled by Chinese ports of significant scale totaled 103 million TEUs during the first half of 2015, representing a year-on-year increase of 6.1%, of which 92.10 million TEUs were handled by coastal ports, representing a year-on-year increase of 5.6% but was down by 1.3 percentage points as compared to the growth rate for the same period last year.

During the period under review, the Group's ports handled a total container throughput of 41.35 million TEUs, an increase of 5.3% year-on-year. Bulk cargo volume handled by the Group's ports was 174 million tonnes, or a year-on-year decline of 3.9%. China International Marine Containers (Group) Co., Ltd. ("**CIMC**"), of which the Group is the single largest shareholder, was seeing continuous rise in its container sales. During the first half of the year, sales of dry cargo containers and reefers amounted to 0.82 million TEUs, a year-on-year increase of 18.2%.

For the six months ended 30 June 2015, profit attributable to equity holders of the Company amounted to HK$2,781 million, representing an increase of 29.4% over the same period last year. Of this amount, recurrent profit [Note 1] was HK$2,466 million, up 17.1% as compared to the same period last year. EBITDA [Note 2] of the Group's core ports operation amounted to HK$5,420 million, up 3.8% year-on-year, accounting for 79.7% of the Group's total.

## Business review

### *Ports operation*

Container throughput handled by the Group's ports operation during the first half of the year amounted to 41.35 million TEUs, up by 5.3% year-on-year, amongst which, the Group's ports in Mainland China delivered container throughput of 30.36 million TEUs, or an increase of 5.0% year-on-year, thereby enabling the Group to sustain its leading position amongst China port operators. The Group's operations in Hong Kong and Taiwan delivered an aggregate container throughput of 3.03 million TEUs, a decline of 18.7% over the same period last year. Benefited from the rapid growth of container handling business in Colombo International Container Terminals Limited ("**CICT**"), container throughput handled by the Group's overseas projects grew by 20.4% year-on-year to 7.95 million TEUs. Bulk cargo volume handled by the Group's ports operation decreased by 3.9% year-on-year to 174 million tonnes, within which bulk cargo handled by the Group's ports in Mainland China was 172 million tonnes, a decrease of 4.2% year-on-year. On the overseas front, Port de Djibouti S.A. ("**PDSA**") delivered a bulk cargo volume of 2.41 million tonnes, or an increase of 31.8% as compared to the same period last year.

#### *Pearl River Delta region*

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a container throughput of 5.39 million TEUs in the first half of the year, up 3.6% year-on-year. Attributing to the effective efforts in market development, international container volume totaled 4.97 million TEUs during the period under review, demonstrating a robust growth of 9.1% year-on-year and growing at a pace faster than the overall Shenzhen port. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 0.63 million TEUs, up 7.9% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 9.49 million tonnes, down 26.1% year-on-year, due mainly to the business transformation pursued by the Group in the Pearl River Delta region. Dongguan Machong Terminal, aided by the addition of new capacity, handled bulk cargo throughput of 5.40 million tonnes during the period, an increase of 13.8% year-on-year.

#### *Xiamen Bay Economic Zone*

In the south-eastern coastal region, owing to the adjustment of container mix, container throughput handled by Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**") during the period under review decreased by 16.8% year-on-year to 0.17 million TEUs. Bulk cargo throughput handled by ZCMP amounted to 6.02 million tonnes, an increase of 15.8% year-on-year.

#### *Yangtze River Delta region*

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 18.03 million TEUs, up 4.4% year-on-year. Owing to a considerable decline in coal and ore volume as a result of the business transformation pursued by SIPG, bulk cargo volume handled by SIPG during the first half of the year amounted to 76.61 million tonnes, or a decrease

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for first half of 2015, gain on deemed disposal of interests in associates, gain on disposal of subsidiaries and change in fair value of investment properties; while for first half of 2014, change in fair value of investment properties and financial asset at fair value through profit or loss.

Note 2 EBIDTA refer to earnings before net interest expenses, taxation, depreciation and amortization of the Company, its subsidiaries and its share in joint venture and associates, but excluding unallocated income less expenses and profit attributable to non-controlling interests.

of 21.1% year-on-year. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.41 million TEUs, representing an increase of 17.0% year-on-year.

### *Bohai Rim region*

Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 3.12 million TEUs, representing an increase of 5.5% year-on-year. Qingdao Qianwan West Port United Container Terminal Co., Ltd. handled bulk volume of 8.32 million tonnes, a slight decrease of 1.3% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd., of which the Group became a shareholder since last year, handled bulk volume of 25.18 million tonnes, showing an increase of 12.24 million tonnes year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a container throughput of 1.31 million TEUs, up 3.9% year-on-year.

### *South-West region of China*

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.30 million TEUs, up 27.0% year-on-year. Bulk cargo throughput handled by the ports amounted to 40.52 million tonnes, up 7.1% year-on-year.

### *Hong Kong and Taiwan*

Overall container throughput handled by ports in Hong Kong during the period under review decreased by approximately 9.0% on a year-on-year basis, within which the container throughput handled by the ports in Kwai Tsing area decreased by 11.0% year-on-year. The upgrading of operating system carried out by Modern Terminals Limited during the second half of 2014 has led to a 26.8% year-on-year decline in container throughput of the Group's operations in Hong Kong to 2.28 million TEUs during the period under review. Benefiting from the addition of new capacity, Kao Ming Container Terminal Corporation in Taiwan handled a container throughput of 0.75 million TEUs, reflecting an increase of 22.3% year-on-year.

### *Overseas operation*

During the first half of the year, aggregate container throughput handled by the Group's overseas operations increased by 20.4% year-on-year to 7.95 million TEUs, amongst which throughput handled by CICT in Sri Lanka rose significantly by 1.4 times to 0.67 million TEUs. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.22 million TEUs, an increase of 5.9% year-on-year. PDSA in Djibouti handled a total throughput of 0.44 million TEUs, up 1.7% year-on-year. Lomé Container Terminal S.A. in Togo, which commenced trial operation in the second half of 2014, contributed an incremental container throughput of 0.22 million TEUs during the period under review. Container throughput handled by Terminal Link SAS ("**Terminal Link**") reached 6.40 million TEUs, representing an increase of 12.6% year-on-year.

### *Strategic deployments in the ports operation*

During the first half of 2015 which was prevailed with adverse external operating environment, the Group pursued various developments adhering to the directives of "achieving breakthroughs amid challenging environment and evolving with implementation of a wide range of tasks, thereby enhancing the Group's performance". The Group, on one hand, strived to enhance efficiency in asset utilisation and capital deployment, and in turn, return on capital, through various measures including integration of resources, transformation and upgrade of businesses, and capital operations, while on the other hand, sought to fully capture the opportunities offered by the strategic initiatives promoted by China, and, with clear vision, to deepen its efforts in the implementation of its domestic, international and innovative strategies in order to enhance the competitiveness of the Group's homebase ports in West Shenzhen while achieving breakthroughs in overseas expansion and innovation developments.

Regarding the on-going establishment of its West Shenzhen homebase port, the Group has been actively seeking to transform and upgrade the West Shenzhen Port Zone, with an aim of optimizing resource allocation and enhancing assets' efficiency. During the first half of the year, an implementation and investment plan on the widening of Tonggu Channel, which will effectively improve the navigation environment in the West Shenzhen Port Zone, has been formulated after continuous discussion with the Shenzhen Government. The Group had also commenced the development of "Mawan Smart Port", which involves converting the multi-purpose berths owned by Shenzhen Haixing Harbor Development Co., Ltd., a subsidiary of the Group, into two intelligent 200,000-tonnes container berths, as a modern and industry-leading container terminal that is automated, intelligent, green and low-carbon. Furthermore, applying the concept of "Port +" while leveraging on the advantages offered by the "Free Trade Zones", the Group has also been exploring ways in building an intelligent port ecosystem which stems from a port as its core and at which converges trade flow, logistics flow, information flow and capital flow, with an aim to enhance the overall competitiveness and service quality of the Shenzhen homebase port.

As for overseas strategies, the Group has been looking for breakthroughs in the overseas portfolio, in terms of scale, strategic positioning and mode of development by capitalizing on the opportunities arising from the development of the "One Belt, One Road" initiative. The Company entered into a strategic cooperation framework agreement with CMA CGM SA in July 2015, whereby investment opportunities in connection with ports, logistics and related infrastructure along the "One Belt, One Road" will be actively investigated and evaluated, with the co-owned Terminal Link as a platform, which is expected to be conducive in terms of synergizing and complementing the global ports layout of, and thereby bringing mutual benefits to, the parties involved.

As for the Group's ports operation in other parts of China, aiming towards a better alignment of port assets, the Group has been proactively interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities. The Company entered into a strategic cooperation agreement with Dalian Port Corporation Limited in February 2015, pursuant to which both parties will explore opportunities for multi-level and multi-area co-operation in the core ports business, and to pursue the development of a North-east Asia maritime centre in Dalian, thus further complementing the Group's port network layout in the Bohai Rim region.

In regards to innovative development, the implementation of "integrating business operations with internet technologies" and "reinforcing active capital management of existing portfolio" have been further deepened and widened. During the first half of the year, consultation for the establishment of a trading platform for bulk commodities was completed, with a strategic implementation road map having been formulated, while at the same time, researches on alternative business models involving, for instance, the provision of cross-border trade integrated services, remained active.

With regards to operational management, the Group has continued its efforts in actively promoting the application and the extension of system capabilities in its refined management information platform. With its corporate-level knowledge database and its experience accumulated through the Group's business development and operational management across domestic and overseas projects over the years, the Group is able to establish a "knowledge + data" information sharing platform that is capable of providing the "best practicable solutions" to its projects and supporting the Group's expansion endeavours, thus elevating its overall management quality. The fact that the Group was awarded by Containerisation International as "Terminal Operator of the Year" reflects the wide industry recognition across various aspects, including service quality, operating efficiency, operational management, innovation development and personnel training, of the Group.

*Bonded logistics and cold chain operations*

During the first half of the year, riding on the rapid development of internet economy, the Group's bonded logistics operation achieved major breakthrough in the context of "integrating business operations with internet technologies". China Merchants Bonded Logistics Co., Ltd. ("**CMBL**"), a subsidiary of the Group, has cooperated with China Resources Vanguard Co., Ltd. ("**CR Vanguard**") for the establishment of "ewj.com", the first cross-border e-commerce outlet based in the Qianhai-Shekou Free Trade Zone, with reference to an O2O model that "displays commodities physically in the bonded zone, while allowing purchases to be made via the cross-border e-commerce platform", thereby providing a more convenient and efficient mean for consumers to purchase imported goods by utilizing both the online and offline channels. Driven by the abovementioned new business model, CMBL successfully attracted the anchoring of various cross-border e-commerce players to the bonded logistics port zone, as reflected by the surging warehouse occupancy rate and the notable improvement in its operating results. Stemming from the successful precedent laid by the "ewj.com" pilot project, the Group will continue to explore opportunities with CR Vanguard to extend the co-operation on cross-border e-commerce business to the Group's similar operations in the Qingdao and Tianjin Bonded Zones, which would help to drive the bonded logistics business on the innovation front.

In January 2015, the Group entered into a share purchase agreement with China Merchants Shipping and Enterprise Company Limited ("**CMSE**"), a wholly-owned subsidiary of the Company's ultimate holding company, China Merchants Group Limited, pursuant to which the Company agreed to dispose of a wholly-owned subsidiary which held the Group's cold chain operation, through a 51% equity interest in China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited, at a total consideration of HK$760 million along with the assignment of relevant shareholder's loan to CMSE. The exit from cold chain operation was consistent with the Group's strategy of reviewing and restructuring, as appropriate, non-core businesses from time to time.

During the first half of 2015, the total volume of cargoes handled at the three major air cargo terminals in Hong Kong was 1.82 million tonnes, representing a decrease of 2.0% year-on-year. Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.27 million tonnes, representing a decrease of 9.0% year-on-year.

*Port-related manufacturing operation*

During the first half of the year, despite the decline in freight rate for international container shippers, CIMC has seen continuous improvement in its container sales as a result of a higher demand for container, thanks to the new supply of shipping capacities, and lower raw material prices, which had resulted in CIMC showing remarkable improvement in its operating results. During the first half of the year, CIMC recorded profit attributable to equity holders of RMB1,518 million, an increase of 46.7% year-on-year, while its sales of dry cargo containers and reefers amounted to 0.82 million TEUs in the first half of the year, up by 18.2% year-on-year.

## Financial review

For the six months ended 30 June 2015, revenue[Note 3] of the Group reached HK$22,353 million, up 2.6% year-on-year, with that from the Group's core ports operation increasing by 4.7% to HK$10,746 million (from HK$10,268 million during the same period last year), as a result of an improvement in the container mix of the Group's existing portfolio of terminals and the added contributions from overseas greenfield projects as new capacity was added. Profit attributable to equity holders of the Company amounted to HK$2,781 million, up 29.4% over the same period last year, within which recurrent profit reached HK$2,466 million, representing a growth of 17.1% year-on-year, driven by continuing growth from existing ports and better than expected contributions from overseas greenfield projects, interest cost saving and improvements in CIMC's results.

EBITDA derived from the Group's core ports operation amounted to HK$5,420 million, or a year-on-year increase of 3.8%, and accounting for 79.7% of the Group's total EBITDA, while EBITDA margin[Note 4] of the Group's core ports operation sustained at 50.4%, similar to the margin of 50.8% achieved in the same period last year, as costs escalation, in particular labour cost, has been somewhat mitigated by the Group's devoted efforts towards efficiency improvements.

As at 30 June 2015, total assets of the Group was HK$102,764 million, representing an increase of 0.3% as compared with a corresponding balance of HK$102,436 million as at 31 December 2014. Net assets attributable to equity holders of the Company was HK$71,071 million as at 30 June 2015, representing an increase of 5.4% from that as at 31 December 2014.

The Group generated net cash inflow from operating activities of HK$2,672 million for the six months ended 30 June 2015, an increase of 55.1% year-on-year, as a result of the Group's ports operation in general continuing to yield sustainable cash flow, as well as a timing difference in dividend receipt from certain associates, whereby the distribution of dividend from an associated company which was supposed to take place in the second half of 2014 was deferred to the first half of 2015. Having received cash consideration of HK$760 million from the disposal of the cold chain business, and as slightly less capital expenditure on acquisitions was incurred, while there was no short-term time deposit made in the current period similar to those made in the preceding year with the proceeds from the issue of mandatory convertible securities ("**MCS**"), the Group has generated net cash inflow from investment activities of HK$441 million for the six months ended 30 June 2015, as opposed to an outflow of HK$8,195 million in the comparative period. Without similar proceeds from the MCS issue in the first half of 2015 as in the first half of 2014, net cash outflow from financing activities was HK$4,933 million during the six months ended 30 June 2015, comparing to an inflow of HK$12,253 million in the same period of the previous year.

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

Note 4 EBITDA as a percentage of revenue.

To support the capital needs for development of the Company's comprehensive port business, China Merchants Finance Company Limited, a wholly-owned subsidiary of the Group, completed the issuance of fixed-rate guaranteed notes totaling US$700 million in August 2015. The issue consists of a 5-year tranche of US$200 million notes maturing in 2020, carrying a coupon rate of 3.50%, and a 10-year tranche of US$500 million notes maturing in 2025, with a coupon rate of 4.75%. These notes are listed on The Stock Exchange of Hong Kong Limited.

## Corporate social responsibility

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

During the first half of 2015, with the fulfilling of corporate social responsibility of "conserving energy, reducing emission and carbon footprint and protecting the environment" as the focus, and aiming at "energy conservation and efficiency enhancement" and with "technological innovations" as the means, the Group has continued its efforts in the building of low-carbon green ports that is "energy efficient", so as to accelerate the conversion of ports into more environmental friendly and energy conserving entities. Having become the only state-sponsored demonstration port zone of low-carbon green ports in South China since 2013, the Group's West Shenzhen Port Zone has been working actively to promote and implement the pilot programs relating to the establishment of low carbon green ports, focusing on 13 key implementation projects in four major areas, including the transformation of infrastructure, upgrading of logistic equipment, optimization of energy consumption structure and initiation of intelligent operations, with an aim of establishing a modern container port zone that is green, efficient, ecological and sustainable.

The Group is committed to integrating its corporate core values into the community by taking active part in various community and charitable activities, with focuses on, amongst others, education, poverty alleviation, charitable donations and community services, to facilitate a harmonious environment and sustainable development of our society.

## Liquidity and treasury policies

As at 30 June 2015, the Group had approximately HK$7,672 million in cash, 61.0% of which was denominated in Hong Kong dollars, 7.5% in United States dollars, 28.6% in Renminbi and 2.9% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics and cold chain operations, property investment, and investment returns from associates and joint ventures, which amounted to HK$2,672 million in total.

During the period, the Group incurred capital expenditure amounted to HK$586 million while the Group continued to adhere to a prudent financial policy and to maintain a sound financial position. In addition, as a significant portion of the Group's bank loans were medium- to long-term 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 2015, the Company had 2,570,613,544 shares in issue. During the period, the Company issued 7,221,000 new shares upon the exercise of share options and received net proceeds of approximately HK$166 million as a result. Other than the above-mentioned newly issued shares, the Company issued 744,404 shares upon conversion of the MCS. On 10 July 2015, the Company issued 16,220,486 shares under the Company's scrip dividend scheme.

As at 30 June 2015, the Group's net gearing ratio was approximately 10.3% [Note 5].

During the period, although the Group is subject to impacts due to some currency volatility, the resulting effect is not expected to be significant while financial statements of the Group's foreign investments are in Renminbi, Euro or US dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in a reserve of the Group.

During the period, a non-wholly-owned subsidiary of the Company issued fixed-rate unlisted notes with various maturities for the aggregate amount of RMB500 million to finance its working capital.

The Group had aggregate bank borrowings and listed notes payable of HK$9,906 million as at 30 June 2015 that contain customary cross default provisions.

Note 5 Net interest-bearing debts divided by total equity.

As at 30 June 2015, the Group's outstanding interest bearing debts are analysed as below:

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| Floating-rate bank borrowings which are repayable as follows (Note): | | |
| Within 1 year | **1,223** | 972 |
| Between 1 and 2 years | **382** | 687 |
| Between 2 and 5 years | **829** | 1,508 |
| More than 5 years | **3,577** | 3,045 |
| | **6,011** | 6,212 |
| Fixed-rate bank borrowings which are repayable as follows: | | |
| Within 1 year | **51** | — |
| Fixed-rate listed notes payable which are repayable: | | |
| In 2015 | — | 3,878 |
| In 2018 | **1,541** | 1,541 |
| In 2022 | **3,828** | 3,828 |
| | **5,369** | 9,247 |
| Fixed-rate unlisted notes payable which are repayable: | | |
| In 2015 | **254** | 507 |
| In 2016 | **380** | — |
| In 2017 | — | 631 |
| In 2018 | **631** | 630 |
| | **1,265** | 1,768 |
| Loans from the ultimate holding company which are repayable as follows: | | |
| Within 1 year | **104** | 484 |
| Between 1 and 2 years | **1,319** | 938 |
| | **1,423** | 1,422 |
| Loans from an intermediate holding company which are repayable as follows: | | |
| Within 1 year | **710** | 834 |
| Between 1 and 2 years | **367** | — |
| Between 2 and 5 years | **254** | 127 |
| | **1,331** | 961 |
| Loans from a non-controlling equity holder of a subsidiary | | |
| Repayable more than 5 years | **367** | 361 |

Note: All bank borrowings are unsecured except for HK$4,251 million (31 December 2014: HK$4,509 million).

The interest bearing debts are denominated in the following currencies:

| | As at 30 June 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Bank borrowings HK$' million | Listed notes payable HK$' million | Unlisted notes payable HK$' million | Loans from an intermediate holding company HK$' million | Loans from the ultimate holding company HK$' million | Loans from a non-controlling equity holder of a subsidiary HK$' million | Total HK$' million |
| HKD & USD | **3,598** | **5,369** | — | — | — | — | **8,967** |
| RMB | **538** | — | **1,265** | **1,331** | **1,423** | — | **4,557** |
| EURO | **1,926** | — | — | — | — | **367** | **2,293** |
| | **6,062** | **5,369** | **1,265** | **1,331** | **1,423** | **367** | **15,817** |

| | As at 31 December 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Bank borrowings HK$' million | Listed notes payable HK$' million | Unlisted notes payable HK$' million | Loans from an intermediate holding company HK$' million | Loans from the ultimate holding company HK$' million | Loans from a non-controlling equity holder of a subsidiary HK$' million | Total HK$' million |
| HKD & USD | 3,243 | 9,247 | — | — | — | — | 12,490 |
| RMB | 1,076 | — | 1,768 | 961 | 1,422 | — | 5,227 |
| EURO | 1,893 | — | — | — | — | 361 | 2,254 |
| | 6,212 | 9,247 | 1,768 | 961 | 1,422 | 361 | 19,971 |

## Assets charge

As at 30 June 2015, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK$4,251 million.

As at 31 December 2014, bank loans of HK$4,509 million borrowed by subsidiaries were secured by their property, plant and equipment with carrying value of HK$31 million and land use rights with carrying value of HK$7 million. In addition, the entire shareholdings in two subsidiaries, owned by the Company and its subsidiary, were also pledged to various banks for bank facilities granted to the relevant subsidiaries.

## Employees and remuneration

As at 30 June 2015, the Group employed 5,622 full time staff, of which 185 worked in Hong Kong, 4,686 worked in Mainland China, and the remaining 751 worked overseas. The remuneration paid for the period amounted to HK$752 million, representing 28.1% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, the individual's performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their efforts and contribution. 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, the global economy is still prevailed with various uncertainties. Factors such as the implications of Greece's debt crisis to the potential risks of the global financial system, the geopolitical risk in Ukraine, the Middle East and certain areas in Africa, directions of the monetary policies of developed economies such as the US, Japan and Euro Zone, and the slowing growth in emerging economies would, all of them, directly impact the global economy's growth performance in 2015 and beyond. According to the latest forecast made by IMF in July 2015, global economy growth is estimated to lower to 3.3% from its previous forecast, or a decline of 0.1 percentage point as compared to that in 2014. Global trade is unlikely to significantly improve in the near-term and is expected to grow by no more than 4%. The formation of mega shipping alliances will accelerate the consolidation of resources and intensify the inter-alliance competition, which, in turn, will affect the market order in the shipping space, while on the other hand, will bring about both new challenges and opportunities to the port industry. China's economy, after entering the "new normal", is expected to grow at around 7%. Despite the presence of a slower economic growth, the Group sees ample opportunities and rooms for further development that are derived from a series of national strategies and reforms launched by the Chinese government, such as the initiation of "One Belt, One Road" strategy and the establishment of "Free Trade Zones".

The Group is of the view that, although the traditional peak season in the second half of this year is expected to support China's export trade, China's port industry would continue to be hampered as growth continued to slow owing to challenging external and domestic economic conditions. Notwithstanding, with steady expansion in its overseas projects, the performance of the Group's ports operation seen in the first half is expected to sustain throughout the rest 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, accelerate the transformation and upgrading of homebase port, intensify its efforts to refine its management system, enhance its asset efficiency, increase its efforts in business innovation, 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.

With respect to business expansion, seeking to seize the opportunities offered by the "One Belt, One Road" policy promoted by China, the Group will continue to analyze and capture investment opportunities in ports, logistics and relevant infrastructure along the route, so as to further extend its overseas business footprint, and to strengthen its domestic ports network layout through consolidation of port assets along coastal regions in China as opportunities arise. By fully leveraging on its expanding port network and by further synergizing its overseas and domestic operations, the Group aims to forge a deeper working relationship with its existing strategic customers through the provision of more comprehensive port service solutions.

Regarding the establishment of homebase port, in order to enhance the effectiveness of resources allocation and assets' efficiency, the Group will dedicate efforts to promote the transformation and upgrading of homebase port, spearheaded by the development of "Mawan Smart Port". The Group will also seek to strengthen the collaboration with the customs function in pursuing reform measures ranging from the unification of customs zones within West Shenzhen to the introduction of innovative customs clearance model, leveraging upon the preferential policies available at the Qianhai-Shekou Free Trade Zone, in order to optimize the operating environment of its homebase port, and, in turn, building competitive edge thereupon. The inclusion of the Qianhai Bonded Port Zone as part of the Shenzhen Special Economic Zone and a Free Trade Zone operating in the coastal area would enable the Group to be well positioned in exploring innovative bonded logistics business models and in promoting collaboration between logistics park and the adjacent ports, all in all aiming at attracting convergence of cargoes in the proximity.

Driving sustainable business growth through innovation will continue to be one of the Group's key initiatives. In light of the rapid growth in internet economy, the Group will continue to encourage the integration of operations in its ports and bonded logistics businesses with internet technologies, and to further explore business models in extending the value chain and supply chain of ports, which helps facilitating innovative business transformation, thus creating impetus for the sustainable growth of the Group's business.

With regards to operational management, wider and deeper application of the refined management information platform will be promoted, by means of, on one hand, integrating the platform with human resources, internal control and safety and production systems, enabling data sharing among platforms, thus enhancing management efficiency, and, on the other hand, linking the platform with the subsidiaries' operational management systems, hence elevating the quality of operational data analysis which helps enhancing assets' efficiency and effectiveness. At the same time, the Group's endeavor in establishing a corporate information database is also crucial in transforming corporate experience into knowledge capital.

Looking ahead, the second half of the year is presented with the combined backdrop of a slow recovery in global economy, China's economy entering a "new normal" and intensifying competition in the shipping industry, all of which means new opportunities and challenges to the Group's ports operation. Through clearly visualizing the conditions prevailing, making prudent decisions 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.

## Interim dividend

In order to reward investors'continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$569 million for the six months ended 30 June 2015 (representing a dividend payout of 20.5%) 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 (2014: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 November 2015 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 5 October 2015 (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 8 October 2015. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of 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 18 November 2015.

## Closure of register

The Register of Members will be closed from 25 September 2015 to 5 October 2015 (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 24 September 2015.

## Directors' interests in securities

As at 30 June 2015, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

### Shares and share options in the Company

| Name of director | Capacity | Nature of interest | Number of shares in the Company | Number of shares in the Company subject to share options granted | Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2015 |
|---|---|---|---|---|---|
| Mr. Su Xingang | Beneficial owner | Personal interest | 50,000 | 150,000 | 0.0078% |
| Mr. Fu Gangfeng | Beneficial owner | Personal interest | — | 280,000 | 0.0109% |
| Mr. Yu Liming | Beneficial owner | Personal interest | 410,884 | 500,000 | 0.0354% |
| Mr. Wang Hong | Beneficial owner | Personal interest | 466,898 | 150,000 | 0.0240% |
| Mr. Bai Jingtao | Beneficial owner | Personal interest | — | 180,000 | 0.0070% |
| Mr. Zheng Shaoping | Beneficial owner | Personal interest | — | 300,000 | 0.0117% |
| Mr. Lee Yip Wah Peter | Beneficial owner | Personal interest | 173,195 | — | 0.0067% |
| Mr. Li Kwok Heem John | Interest of spouse | Family interest | 1,698,639 | — | 0.0661% |
| | | | 2,799,616 | 1,560,000 | 0.1696% |

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2015, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange.

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

## Share option scheme

At an extraordinary general meeting of the Company held on 9 December 2011, the shareholders of the Company adopted the new share option scheme (the "**Share Option Scheme**") and the previous share option scheme (the "**Terminated Scheme**") was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates, to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by the CMHK Group (representing China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**"), an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group (together with the directors and employees of the Company, its subsidiaries and associates, the "**Eligible Persons**").

Details of the share options outstanding as at 30 June 2015 which have been granted under the Terminated Scheme and the Share Option Scheme are as follows:

| Name | Date of grant | Exercise price HK$ | Options held as at 1 January 2015 | Options granted during the period | Options exercised during the period | Options lapsed/ cancelled during the period | Other changes during the period [6] | Options held as at 30 June 2015 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Mr. Li Yinquan [4] | 25 May 2006 | 23.03 | 250,000 | — | (100,000) | — | (150,000) | — |
| Mr. Hu Zheng [4] | 25 May 2006 | 23.03 | 400,000 | — | — | — | (400,000) | — |
| Mr. Meng Xi [4] | 25 May 2006 | 23.03 | 200,000 | — | — | — | (200,000) | — |
| Mr. Su Xingang | 25 May 2006 | 23.03 | 350,000 | — | (200,000) | — | — | 150,000 |
| Mr. Fu Gangfeng [5] | 25 May 2006 | 23.03 | — | — | — | — | 280,000 | 280,000 |
| Mr. Yu Liming | 25 May 2006 | 23.03 | 500,000 | — | — | — | — | 500,000 |
| Mr. Wang Hong | 25 May 2006 | 23.03 | 150,000 | — | — | — | — | 150,000 |
| Mr. Bai Jingtao [5] | 25 May 2006 | 23.03 | — | — | — | — | 180,000 | 180,000 |
| Mr. Zheng Shaoping | 25 May 2006 | 23.03 | 300,000 | — | — | — | — | 300,000 |
| | | | 2,150,000 | — | (300,000) | — | (290,000) | 1,560,000 |
| **Continuous contract employees - The Group and the CMHK Group** | | | | | | | | |
| | 25 May 2006 | 23.03 | 18,083,000 | — | (6,771,000) | — | 290,000 | 11,602,000 |
| | 21 June 2006 | 20.91 | 150,000 | — | (150,000) | — | — | — |
| | | | 18,233,000 | — | (6,921,000) | — | 290,000 | 11,602,000 |
| | | | 20,383,000 | — | (7,221,000) | — | — | 13,162,000 |

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$32.57.
3. No share options were granted under the Terminated Scheme and the Share Option Scheme during the period.
4. Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi resigned as Executive Director on 13 March 2015 and remain as continuous contract employees of the CMHK Group. Mr. Li Yinquan exercised 100,000 share options during the time he was Executive Director. Upon their resignation, the 150,000, 400,000 and 200,000 outstanding share options held respectively by Mr. Li Yinquan, Mr. Hu Zheng and Mr. Meng Xi have been re-categorised under "Continuous contract employees".
5. Mr. Fu Gangfeng and Mr. Bai Jingtao were appointed as Executive Director on 1 June 2015 and held 280,000 and 180,000 share options, respectively, at the time of their appointment.
6. Other changes during the period include the re-categorisation of share options from "Directors" to "Continuous contract employees" and vice versa following the resignation and appointment of certain directors as mentioned in notes 4 and 5 above.

## Substantial shareholders

As at 30 June 2015, the following persons, other than a Director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

*Long Positions*

| Name of Substantial Shareholder | Capacity | Shares/ underlying Shares held | Percentage of total issued shares |
|---|---|---|---|
| China Merchants Group Limited | Interest of Controlled Corporation | 1,894,918,269[1,2,3] | 73.71% |
| China Merchants Steam Navigation Company Limited | Interest of Controlled Corporation | 1,891,318,269[2] | 73.57% |
| China Merchants Holdings (Hong Kong) Company Limited | Interest of Controlled Corporation | 1,891,318,269[2] | 73.57% |
| China Merchants Union (BVI) Limited | Beneficial Owner | 911,410,193[2] | 35.45% |
| China Merchants Investment Development Company Limited | Beneficial Owner | 715,398,622[2] | 27.83% |
| Hoi Tung Marine Machinery Suppliers Limited | Interest of Controlled Corporation | 243,360,576[2] | 9.47% |
| Hoi Tung Investment (Yantai) Limited | Beneficial Owner | 243,360,576[2] | 9.47% |
| Pagoda Tree Investment Company Limited | Interest of Controlled Corporation | 914,134,878[4] | 35.56% |
| Compass Investment Company Limited | Interest of Controlled Corporation | 914,134,878[4] | 35.56% |
| GUOXIN International Investment Corporation Limited | Interest of Controlled Corporation | 911,410,193[5] | 35.45% |
| Verise Holdings Company Limited | Interest of Controlled Corporation | 911,410,193[5] | 35.45% |

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 1,894,918,269 shares (of which 502,676,197 shares represents interest of underlying shares of equity derivatives), which represents the aggregate of 1,891,318,269 shares deemed to be interested by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,600,000 shares deemed to be interested by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).

2. CMHK is wholly-owned by China Merchants Steam Navigation Company Limited. Each of China Merchants Investment Development Company Limited, Hoi Tung Marine Machinery Suppliers Limited and China Merchants International Finance Company Limited is in turn wholly-owned by CMHK and China Merchants Union (BVI) Limited ("**CMU**") is 50%-owned by CMHK.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,891,318,269 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 911,410,193 shares beneficially held by CMU, 715,398,622 shares beneficially held by China Merchants Investment Development Company Limited, 243,360,576 shares deemed to be interested by Hoi Tung Marine Machinery Suppliers Limited and 21,148,878 shares deemed to be interested by China Merchants International Finance Company Limited.

   As Hoi Tung Investment (Yantai) Limited is wholly-owned by Hoi Tung Marine Machinery Suppliers Limited, Hoi Tung Marine Machinery Suppliers Limited is deemed to be interested in the 243,360,576 shares beneficially held by Hoi Tung Investment (Yantai) Limited. As Best Winner Investment Limited is wholly-owned by China Merchants International Finance Company Limited, China Merchants International Finance Company Limited is deemed to be interested in the 21,148,878 shares beneficially held by Best Winner Investment Limited.

3. Top Chief Company Limited is wholly-owned by China Merchants Shekou Industrial Zone Company Limited and Orienture Holdings Company Limited is in turn wholly-owned by Top Chief Company Limited. China Merchants Shekou Industrial Zone Company Limited is deemed to be interested in the 3,600,000 shares which are deemed to be interested by Top Chief Company Limited. Such shares represent the 3,600,000 shares beneficially held by Orienture Holdings Company Limited.

4. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited on 21 May 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited, which is in turn 90%-owned by Compass Investment Company Limited, which is in turn wholly-owned by Pagoda Tree Investment Company Limited. Therefore, each of Verise Holdings Company Limited, GUOXIN International Investment Corporation Limited, Compass Investment Company Limited and Pagoda Tree Investment Company Limited is deemed to be interested in the 914,134,878 shares beneficially held by CMU.

5. According to the disclosure of interests form submitted by GUOXIN International Investment Corporation Limited on 12 June 2014, 50% interest in CMU is owned by Verise Holdings Company Limited, which is wholly-owned by GUOXIN International Investment Corporation Limited. Therefore, each of Verise Holdings Company Limited and GUOXIN International Investment Corporation Limited is deemed to be interested in the 911,410,193 shares beneficially held by CMU.

### *Short Position*

Nil

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

## Corporate Governance

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

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period.

In the opinion of the Directors, the Company has complied with the 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 2015.

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 27 May 2015 to answer shareholders' questions.

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

## Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2015 and the 2015 Interim Report.

## Update on Director's Biographical Details

With effect from 16 April 2015, Mr. Hu Jianhua has retired from his office as Managing Director of the Company and took his new role as Executive Vice President of China Merchants Group Limited, the ultimate holding company of the Company.

With effect from 2 June 2015, Mr. Lee Yip Wah Peter has been re-designated from a non-executive director of SHK Hong Kong Industries Limited to an independent non-executive director of the said Company.

With effect from 21 August 2015, Mr. Li Ka Fai David was appointed as member of nomination committee and remuneration committee of China-Hongkong Photo Products Holdings Limited, shares of the said company is listed on The Stock Exchange of Hong Kong Limited.

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

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

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

By order of the Board
**Li Jianhong**
*Chairman*

Hong Kong, 31 August 2015

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

| | Note | Unaudited 2015 HK$'million | 2014 HK$'million |
|---|---|---|---|
| Revenue | 6 | **4,080** | 3,924 |
| Cost of sales | | **(2,210)** | (2,223) |
| Gross profit | | **1,870** | 1,701 |
| Other gains, net | 8 | **346** | 53 |
| Other income | 8 | **142** | 118 |
| Administrative expenses | | **(464)** | (443) |
| Operating profit | | **1,894** | 1,429 |
| Finance income | 9 | **102** | 46 |
| Finance costs | 9 | **(399)** | (563) |
| Finance costs, net | 9 | **(297)** | (517) |
| Share of profits less losses of | | | |
| Associates | | **1,782** | 1,761 |
| Joint ventures | | **135** | 193 |
| | | **1,917** | 1,954 |
| Profit before taxation | | **3,514** | 2,866 |
| Taxation | 10 | **(361)** | (386) |
| Profit for the period | 11 | **3,153** | 2,480 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **2,781** | 2,149 |
| Non-controlling interests | | **372** | 331 |
| Profit for the period | | **3,153** | 2,480 |
| Dividend | 12 | **569** | 560 |
| **Earnings per share for profit attributable to equity holders of the Company** | 13 | | |
| Basic (HK cents) | | **90.54** | 83.46 |
| Diluted (HK cents) | | **90.41** | 83.38 |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

| | Unaudited<br>2015<br>HK$'million | <br>2014<br>HK$'million |
|---|---|---|
| **Profit for the period** | **3,153** | 2,480 |
| **Other comprehensive income/(expense)** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures | **(501)** | (503) |
| Release of reserves upon disposal of subsidiaries | **(35)** | — |
| Increase/(decrease) in fair value of available-for-sale financial assets, net of deferred taxation | **2,923** | (157) |
| Share of investment revaluation reserve of associates | **54** | (25) |
| *Item that will not be reclassified subsequently to profit or loss:* | | |
| Share of other reserves of associates | **49** | 36 |
| Total other comprehensive income/(expense) for the period, net of tax | **2,490** | (649) |
| **Total comprehensive income for the period** | **5,643** | 1,831 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **5,357** | 1,566 |
| Non-controlling interests | **286** | 265 |
| | **5,643** | 1,831 |

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015

| | Note | **Unaudited 30 June 2015 HK$'million** | Audited 31 December 2014 HK$'million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 14 | **3,002** | 3,167 |
| Intangible assets | 14 | **5,754** | 5,650 |
| Property, plant and equipment | 14 | **19,746** | 19,982 |
| Investment properties | 14 | **1,764** | 1,757 |
| Land use rights | 14 | **8,007** | 7,938 |
| Interests in associates | | **37,733** | 37,731 |
| Interests in joint ventures | | **6,527** | 6,408 |
| Other financial assets | | **7,452** | 4,215 |
| Other non-current assets | | **783** | 1,645 |
| Deferred tax assets | | **36** | 58 |
| | | **90,804** | 88,551 |
| **Current assets** | | | |
| Inventories | | **83** | 108 |
| Other financial assets | | — | 580 |
| Debtors, deposits and prepayments | 15 | **4,202** | 3,693 |
| Taxation recoverable | | **3** | 3 |
| Cash and bank balances | | **7,672** | 9,501 |
| | | **11,960** | 13,885 |
| Total assets | | **102,764** | 102,436 |

As at 30 June 2015

| | Note | **Unaudited 30 June 2015 HK$'million** | Audited 31 December 2014 HK$'million |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 16 | **18,106** | 17,918 |
| Mandatory convertible securities | 17 | **15,258** | 15,280 |
| Reserves | | **37,138** | 32,821 |
| Proposed dividend | | **569** | 1,411 |
| | | **71,071** | 67,430 |
| **Non-controlling interests** | | **8,031** | 7,716 |
| Total equity | | **79,102** | 75,146 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans from shareholders | 18 | **1,940** | 1,065 |
| Other financial liabilities | 19 | **11,155** | 12,231 |
| Other non-current liabilities | | **1,399** | 1,421 |
| Deferred tax liabilities | | **2,409** | 2,208 |
| | | **16,903** | 16,925 |
| **Current liabilities** | | | |
| Creditors and accruals | 20 | **3,440** | 3,094 |
| Loans from shareholders | 18 | **814** | 1,318 |
| Other financial liabilities | 19 | **1,908** | 5,357 |
| Taxation payable | | **597** | 596 |
| | | **6,759** | 10,365 |
| Total liabilities | | **23,662** | 27,290 |
| Total equity and liabilities | | **102,764** | 102,436 |
| Net current assets | | **5,201** | 3,520 |
| Total assets less current liabilities | | **96,005** | 92,071 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

| | Unaudited | | | | | | |
|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | | Non-controlling interests | Total |
| | Share capital HK$'million | Mandatory convertible securities HK$'million | Other reserves HK$'million | Retained earnings HK$'million | Total HK$'million | HK$'million | HK$'million |
| As at 1 January 2015 | 17,918 | 15,280 | 9,373 | 24,859 | 67,430 | 7,716 | 75,146 |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Profit for the period | — | — | — | 2,781 | 2,781 | 372 | 3,153 |
| *Other comprehensive income/(expense)* | | | | | | | |
| Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures | — | — | (414) | — | (414) | (87) | (501) |
| Increase in fair value of available-for-sale financial assets, net of deferred taxation | — | — | 2,922 | — | 2,922 | 1 | 2,923 |
| Release of reserves upon disposal of subsidiaries (note 22) | — | — | (35) | — | (35) | — | (35) |
| Share of reserves of associates | — | — | 103 | — | 103 | — | 103 |
| Total other comprehensive income/(expense) for the period, net of tax | — | — | 2,576 | — | 2,576 | (86) | 2,490 |
| Total comprehensive income for the period | — | — | 2,576 | 2,781 | 5,357 | 286 | 5,643 |
| **TRANSACTIONS WITH OWNERS** | | | | | | | |
| Issue of shares on exercise of share options, net of share issue expenses | 166 | — | — | — | 166 | — | 166 |
| Issue of shares upon conversion of mandatory convertible securities | 22 | (22) | — | — | — | — | — |
| Transfer to reserves | — | — | 19 | (8) | 11 | — | 11 |
| Disposal of subsidiaries (note 22) | — | — | — | — | — | (221) | (221) |
| Disposal of interests in subsidiaries to a non-controlling equity holder without losing control therein (note 20) | — | — | 132 | — | 132 | 444 | 576 |
| Dividends | — | — | — | (1,414) | (1,414) | (185) | (1,599) |
| Distribution to mandatory convertible securities holders | — | — | — | (611) | (611) | — | (611) |
| Repayment of capital contribution to a non-controlling equity holder | — | — | — | — | — | (9) | (9) |
| Total transactions with owners for the period | 188 | (22) | 151 | (2,033) | (1,716) | 29 | (1,687) |
| As at 30 June 2015 | 18,106 | 15,258 | 12,100 | 25,607 | 71,071 | 8,031 | 79,102 |

| | Unaudited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | | | Non-controlling interests | Total |
| | Share capital HK$'million | Mandatory convertible securities HK$'million | Share premium HK$'million | Other reserves HK$'million | Retained earnings HK$'million | Total HK$'million | HK$'million | HK$'million |
| As at 1 January 2014 | 253 | — | 16,713 | 8,316 | 23,317 | 48,599 | 7,827 | 56,426 |
| **COMPREHENSIVE INCOME** | | | | | | | | |
| Profit for the period | — | — | — | — | 2,149 | 2,149 | 331 | 2,480 |
| *Other comprehensive (expense)/ income* | | | | | | | | |
| Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures | — | — | — | (437) | — | (437) | (66) | (503) |
| Decrease in fair value of available-for-sale financial assets, net of deferred taxation | — | — | — | (157) | — | (157) | — | (157) |
| Share of reserves of associates | — | — | — | 11 | — | 11 | — | 11 |
| Total other comprehensive expense for the period, net of tax | — | — | — | (583) | — | (583) | (66) | (649) |
| Total comprehensive (expense)/ income for the period | — | — | — | (583) | 2,149 | 1,566 | 265 | 1,831 |
| **TRANSACTIONS WITH OWNERS** | | | | | | | | |
| Issue of shares on exercise of share options, net of share issue expenses | — | — | 7 | — | — | 7 | — | 7 |
| Transfer from share premium and capital redemption reserve upon abolition of par value (Note) | 16,720 | — | (16,720) | — | — | — | — | — |
| Issue of mandatory convertible securities, net of issue expenses | — | 15,287 | — | — | — | 15,287 | — | 15,287 |
| Transfer to reserves | — | — | — | 275 | (275) | — | — | — |
| Capital contribution to a subsidiary | — | — | — | — | — | — | 94 | 94 |
| Dividends | — | — | — | — | (1,390) | (1,390) | (220) | (1,610) |
| Repayment of capital contribution to a non-controlling equity holder | — | — | — | — | — | — | (17) | (17) |
| Total transactions with owners for the period | 16,720 | 15,287 | (16,713) | 275 | (1,665) | 13,904 | (143) | 13,761 |
| As at 30 June 2014 | 16,973 | 15,287 | — | 8,008 | 23,801 | 64,069 | 7,949 | 72,018 |

Note: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

| | Note | Unaudited<br>Six months ended 30 June<br>2015<br>HK$'million | <br><br>2014<br>HK$'million |
|---|---|---|---|
| **Net cash generated from operating activities** | | **2,672** | 1,723 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and port operating rights | | **(803)** | (1,112) |
| Proceeds from disposal of subsidiaries, net of cash and bank balances disposed of | 22 | **737** | — |
| Repayment from an associate | | **235** | — |
| Investments in joint ventures and an available-for-sale financial asset | | **—** | (607) |
| Increase in short-term time deposits | | **—** | (6,700) |
| Other investing cash flows | | **272** | 224 |
| Net cash generated from/(used in) investing activities | | **441** | (8,195) |
| **Cash flows from financing activities** | | | |
| Net proceeds on issue of mandatory convertible securities | | **—** | 15,287 |
| Other financing cash flows | | **(4,933)** | (3,034) |
| Net cash (used in)/generated from financing activities | | **(4,933)** | 12,253 |
| (Decrease)/increase in cash and cash equivalents | | **(1,820)** | 5,781 |
| Cash and cash equivalents at 1 January | | **9,501** | 3,205 |
| Effect of foreign exchange rate changes | | **(9)** | (13) |
| Cash and cash equivalents at 30 June | | **7,672** | 8,973 |

# Notes to the Condensed Consolidated Interim Financial Information

## 1. General Information

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Director on 31 August 2015 but has not been audited.

## 2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2014 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

## 3. Principal Accounting Policies

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared on the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described therein.

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

## 4. Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2014.

## 5. Financial Risk Management

### (i) Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

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

## 5. Financial Risk Management (Continued)

### (ii) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

#### *(a) Fair value of financial instruments that are measured at fair value on a recurring basis*

The following tables present the Group's assets that are measured at fair value at 30 June 2015 and 31 December 2014:

| | 30 June 2015 | | | |
|---|---|---|---|---|
| | **Level 1 HK$'million** | **Level 2 HK$'million** | **Level 3 HK$'million** | **Total HK$'million** |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| – listed equity investments | **6,738** | — | — | **6,738** |
| – unlisted equity investments | — | — | **714** | **714** |
| | **6,738** | — | **714** | **7,452** |

## 5. Financial Risk Management (Continued)

### (ii) Fair value estimation (Continued)

#### *(a) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)*

| | 31 December 2014 | | | |
|---|---|---|---|---|
| | Level 1 HK$'million | Level 2 HK$'million | Level 3 HK$'million | Total HK$'million |
| **Financial assets** | | | | |
| Financial asset at fair value through profit or loss | — | — | 580 | 580 |
| Available-for-sale financial assets | | | | |
| – listed equity investments | 3,548 | — | — | 3,548 |
| – unlisted equity investments | — | — | 667 | 667 |
| | 3,548 | — | 1,247 | 4,795 |

Set out below is the information about how the fair values of the above financial instruments are determined, including the valuation techniques and inputs used:

The fair value of the freely traded listed equity instruments that are accounted for as available-for-sale financial assets is valued based on the quoted prices in active markets for the identical assets directly.

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

The fair value of other unlisted equity instruments that are accounted for as available-for-sale financial assets is valued based on the Guideline Publicly Traded Company (the "GPTC") method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. If any of the significant unobservable input above was 5% higher/lower while all the other variables were held constant, the changes in fair value of the unlisted equity instruments would not be significant to the Group's results.

Financial assets at fair value through profit or loss as at 31 December 2014 represented preference shares issued by a privately held company incorporated in the United States. The valuation methodologies adopted was also the GPTC method whereas the key inputs to the valuation models included the market multiples, share prices, volatilities and dividend yields of similar companies that were traded in a public market, discounted of lack of marketability with reference to the share prices of listed enterprises in similar industries and an expected time for the issuer to complete an initial public offering. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the financial assets at fair value through profit or loss would not be significant to the Group's results.

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

## 5. Financial Risk Management (Continued)

### (ii) Fair value estimation (Continued)

#### *(a) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)*

The following tables present the changes in level 3 instruments for the six months ended 30 June 2015 and 2014:

| | Financial asset at fair value through profit or loss HK$'million | Available-for-sale financial assets HK$'million | Total HK$'million |
|---|---|---|---|
| **For the six months ended 30 June 2015** | | | |
| As at 1 January 2015 | **580** | **667** | **1,247** |
| Exchange adjustments | — | **2** | **2** |
| Unrealised fair value gain recognised in other comprehensive income (included in other reserves) | — | **45** | **45** |
| Disposal of subsidiaries (note 22) | **(580)** | — | **(580)** |
| As at 30 June 2015 | — | **714** | **714** |
| **For the six months ended 30 June 2014** | | | |
| As at 1 January 2014 | 558 | 706 | 1,264 |
| Exchange adjustments | — | (5) | (5) |
| Acquisition of financial instruments | — | 156 | 156 |
| Unrealised fair value loss recognised in other comprehensive income (included in other reserves) | — | (32) | (32) |
| Unrealised fair value gain recognised in condensed consolidated statement of profit or loss (included in other gains, net) | 34 | — | 34 |
| As at 30 June 2014 | 592 | 825 | 1,417 |

## 5. Financial Risk Management (Continued)

### (ii) Fair value estimation (Continued)

#### *(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

## 6. Revenue

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations 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** | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| Ports service, transportation income, container service and container yard management income | **3,873** | 3,561 |
| Logistics services income (including rental income) | **186** | 341 |
| Gross rental income from investment properties | **21** | 22 |
| | **4,080** | 3,924 |

## 7. Segment Information

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

Individual operating segments 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.

## 7. Segment Information (Continued)

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

Following the disposal of Smart Ally Holdings Limited ("SAH") and its subsidiaries during the period as described in note 22, the Group ceased its cold chain operation and thereafter the segment information at the end of the reporting period reported to the CODM in respect of bonded logistics and cold chain operations comprises only the bonded logistics operation which includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

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

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

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

There was no single customer who accounted for over 10% of the Group's total revenue in any of the six-month periods ended 30 June 2015 and 2014.

## 7. Segment Information (Continued)

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | Six months ended 30 June | | **30 June** | 31 December |
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'million** | HK$'million | **HK$'million** | HK$'million |
| Mainland China, Hong Kong and Taiwan | **3,616** | 3,821 | **67,361** | 67,894 |
| Other locations | **464** | 103 | **15,955** | 16,384 |
| | **4,080** | 3,924 | **83,316** | 84,278 |

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:

| | 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 |
| **For the six months ended 30 June 2015** | | | | | | | | | | |
| **REVENUE** | | | | | | | | | | |
| Company and subsidiaries | **2,985** | **122** | **—** | **302** | **464** | **3,873** | **186** | **—** | **21** | **4,080** |
| Share of associates | **109** | **428** | **4,481** | **—** | **582** | **5,600** | **85** | **10,347** | **965** | **16,997** |
| Share of joint ventures | **6** | **8** | **203** | **1,056** | **—** | **1,273** | **3** | **—** | **—** | **1,276** |
| Total segment revenue | **3,100** | **558** | **4,684** | **1,358** | **1,046** | **10,746** | **274** | **10,347** | **986** | **22,353** |
| **For the six months ended 30 June 2014** | | | | | | | | | | |
| **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 |

## 7. Segment Information (Continued)

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

| | For the six months ended 30 June 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ports operation | | | | | | Bonded logistics and cold chain operations | Port-related manufacturing operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | | Other investments | Corporate function | Sub-total | |
| | PRD excluding HK HK$'million | Hong Kong HK$'million | Yangtze River Delta HK$'million | Others HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million |
| Operating profit/(loss) | 1,223 | 20 | 259 | 155 | 161 | 1,818 | 120 | 48 | 23 | (115) | (92) | 1,894 |
| Share of profits less losses of | | | | | | | | | | | | |
| – Associates | 35 | 53 | 942 | – | 264 | 1,294 | 15 | 483 | (10) | – | (10) | 1,782 |
| – Joint ventures | – | – | 71 | 65 | – | 136 | (1) | – | – | – | – | 135 |
| | 1,258 | 73 | 1,272 | 220 | 425 | 3,248 | 134 | 531 | 13 | (115) | (102) | 3,811 |
| Finance costs, net | (42) | – | – | (28) | (68) | (138) | (12) | – | – | (147) | (147) | (297) |
| Taxation | (207) | (3) | (94) | (20) | (3) | (327) | (11) | (22) | 1 | (2) | (1) | (361) |
| Profit/(loss) for the period | 1,009 | 70 | 1,178 | 172 | 354 | 2,783 | 111 | 509 | 14 | (264) | (250) | 3,153 |
| Non-controlling interests | (317) | – | – | (19) | (34) | (370) | (2) | – | – | – | – | (372) |
| Profit/(loss) attributable to equity holders of the Company | 692 | 70 | 1,178 | 153 | 320 | 2,413 | 109 | 509 | 14 | (264) | (250) | 2,781 |
| Other information: | | | | | | | | | | | | |
| Depreciation and amortisation | 433 | 5 | – | 61 | 122 | 621 | 48 | – | – | 5 | 5 | 674 |
| Capital expenditure | 73 | 11 | – | 46 | 437 | 567 | 18 | – | – | 1 | 1 | 586 |

## 7. Segment Information (Continued)

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 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 |

## 7. Segment Information (Continued)

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

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

| | As at 30 June 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ports operation | | | | | | Bonded logistics operation | Port-related manufacturing operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | | Other investments | Corporate function | Sub-total | |
| | PRD excluding HK HK$'million | Hong Kong HK$'million | Yangtze River Delta HK$'million | Others HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million |
| **ASSETS** | | | | | | | | | | | | |
| Segment assets (excluding interests in associates and joint ventures) | 24,341 | 390 | 7,625 | 4,569 | 10,919 | 47,844 | 3,051 | 267 | 1,914 | 5,389 | 7,303 | 58,465 |
| Interests in associates | 1,428 | 1,517 | 17,607 | 1 | 5,777 | 26,330 | 374 | 7,875 | 3,154 | – | 3,154 | 37,733 |
| Interests in joint ventures | 3 | 7 | 1,000 | 5,517 | – | 6,527 | – | – | – | – | – | 6,527 |
| Total segment assets | 25,772 | 1,914 | 26,232 | 10,087 | 16,696 | 80,701 | 3,425 | 8,142 | 5,068 | 5,389 | 10,457 | 102,725 |
| Taxation recoverable | | | | | | | | | | | | 3 |
| Deferred tax assets | | | | | | | | | | | | 36 |
| Total assets | | | | | | | | | | | | 102,764 |
| **LIABILITIES** | | | | | | | | | | | | |
| Segment liabilities | (3,412) | (35) | – | (1,786) | (6,174) | (11,407) | (699) | – | (7) | (8,543) | (8,550) | (20,656) |
| Taxation payable | | | | | | | | | | | | (597) |
| Deferred tax liabilities | | | | | | | | | | | | (2,409) |
| Total liabilities | | | | | | | | | | | | (23,662) |

## 7. Segment Information (Continued)

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

| | As at 31 December 2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ports operation | | | | | | Bonded logistics cold chain operation | Port-related manufacturing operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | | Other investments | Corporate function | Sub-total | |
| | PRD excluding HK HK$'million | Hong Kong HK$'million | Yangtze River Delta HK$'million | Others HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million | HK$'million |
| **ASSETS** | | | | | | | | | | | | |
| Segment assets (excluding interests in associates and joint ventures) | 24,138 | 234 | 4,297 | 4,429 | 11,010 | 44,108 | 4,472 | – | 1,843 | 7,813 | 9,656 | 58,236 |
| Interests in associates | 1,439 | 1,598 | 17,316 | – | 6,088 | 26,441 | 378 | 7,679 | 3,233 | – | 3,233 | 37,731 |
| Interests in joint ventures | 3 | 6 | 927 | 5,471 | – | 6,407 | 1 | – | – | – | – | 6,408 |
| Total segment assets | 25,580 | 1,838 | 22,540 | 9,900 | 17,098 | 76,956 | 4,851 | 7,679 | 5,076 | 7,813 | 12,889 | 102,375 |
| Taxation recoverable | | | | | | | | | | | | 3 |
| Deferred tax assets | | | | | | | | | | | | 58 |
| Total assets | | | | | | | | | | | | 102,436 |
| **LIABILITIES** | | | | | | | | | | | | |
| Segment liabilities | (3,840) | (42) | – | (1,789) | (6,931) | (12,602) | (1,160) | – | (8) | (10,716) | (10,724) | (24,486) |
| Taxation payable | | | | | | | | | | | | (596) |
| Deferred tax liabilities | | | | | | | | | | | | (2,208) |
| Total liabilities | | | | | | | | | | | | (27,290) |

## 8. Other Gains, Net and Other Income

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| **Other gains, net** | | |
| Increase in fair value of investment properties | **3** | 19 |
| Increase in fair value of financial asset at fair value through profit or loss | — | 34 |
| Gain on disposal of property, plant and equipment | **26** | 28 |
| Net exchange gains/(losses) | **3** | (28) |
| Gain on disposal of subsidiaries (note 22) | **52** | — |
| Gain on deemed disposal of interests in associates | **260** | — |
| Others | **2** | — |
| | **346** | 53 |
| **Other income** | | |
| Dividend income from available-for-sale financial assets | | |
| – listed equity investments | **66** | 61 |
| – unlisted equity investments | **49** | 16 |
| Dividend income from financial asset at fair value through profit or loss | — | 12 |
| Others | **27** | 29 |
| | **142** | 118 |

## 9. Finance Income and Costs

| | Six months ended 30 June 2015 HK$'million | 2014 HK$'million |
|---|---|---|
| **Finance income from:** | | |
| Interest income from bank deposits | **99** | 41 |
| Others | **3** | 5 |
| | **102** | 46 |
| **Interest expense on:** | | |
| Bank borrowings | | |
| – wholly repayable within five years | **(30)** | (67) |
| – not wholly repayable within five years | **(92)** | (72) |
| Listed notes payable | | |
| – wholly repayable within five years | **(97)** | (162) |
| – not wholly repayable within five years | **(100)** | (100) |
| Unlisted notes wholly repayable within five years | **(45)** | (47) |
| Loans from | | |
| – a non-controlling equity holder of a subsidiary | **(8)** | (7) |
| – shareholders | **(56)** | (199) |
| Others | **(9)** | (5) |
| Total borrowing costs incurred | **(437)** | (659) |
| Less: amount capitalised on qualifying assets (Note) | **38** | 96 |
| Finance costs | **(399)** | (563) |
| Finance costs, net | **(297)** | (517) |

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 4.34% per annum (2014: 4.73% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

## 10. Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2014: 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** | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| **Current taxation** | | |
| Hong Kong Profits Tax | **5** | 5 |
| PRC corporate income tax | **183** | 201 |
| PRC withholding income tax | **147** | 123 |
| Overseas withholding income tax | **9** | 12 |
| **Deferred taxation** | **17** | 45 |
| | **361** | 386 |

## 11. Profit for the Period

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| Profit for the period has been arrived at after charging: | | |
| Cost of inventories | **—** | 17 |
| Staff costs (including Directors' and chief executive's emoluments) | **752** | 689 |
| Depreciation of property, plant and equipment | **547** | 529 |
| Amortisation of intangible assets and land use rights | **127** | 101 |
| Operating lease rentals in respect of | | |
| – land and buildings | **120** | 145 |
| – plant and machinery | **30** | 15 |

## 12. Dividend

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| Interim dividend of 22 HK cents (2014: 22 HK cents) per share | **569** | 560 |

At a meeting held on 31 August 2015, 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 2015.

The amount of interim dividend for 2015 was based on 2,586,926,079 (2014: 2,546,717,460) shares in issue as at 31 August 2015.

## 13. Earnings Per Share

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| **Basic** | | |
| Profit attributable to equity holders of the Company (HK$'million) | **2,781** | 2,149 |
| Weighted average number of ordinary shares in issue (Note (a)) | **3,071,440,422** | 2,574,669,596 |
| Basic earnings per share (HK cents) | **90.54** | 83.46 |
| **Diluted** | | |
| Profit attributable to equity holders of the Company (HK$'million) | **2,781** | 2,149 |
| Weighted average number of ordinary shares in issue (Note (a)) | **3,071,440,422** | 2,574,669,596 |
| *Effect of dilutive potential ordinary shares:* | | |
| Adjustment for share options (Note (b)) | **4,469,901** | 2,388,429 |
| Weighted average number of ordinary shares for diluted earnings per share | **3,075,910,323** | 2,577,058,025 |
| Diluted earnings per share (HK cents) | **90.41** | 83.38 |

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" and details set out in note 17) 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.

## 14. Goodwill, Intangible Assets, Property, Plant and Equipment, Investment Properties and Land Use Rights

| | Goodwill HK$'million | Intangible assets HK$'million | Property, plant and equipment HK$'million | Investment properties HK$'million | Land use rights HK$'million |
|---|---|---|---|---|---|
| **Six months ended 30 June 2015** | | | | | |
| Net book value as at 1 January 2015 | **3,167** | **5,650** | **19,982** | **1,757** | **7,938** |
| Exchange adjustments | — | **(347)** | **(49)** | — | **1** |
| Additions | — | **331** | **248** | **2** | — |
| Increase in fair value | — | — | — | **3** | — |
| Disposals | — | — | **(101)** | — | — |
| Disposal of subsidiaries (note 22) | **(165)** | — | **(376)** | — | **(25)** |
| Transfers | — | **156** | **589** | **2** | **184** |
| Depreciation and amortisation | — | **(36)** | **(547)** | — | **(91)** |
| Net book value as at 30 June 2015 | **3,002** | **5,754** | **19,746** | **1,764** | **8,007** |
| **Six months ended 30 June 2014** | | | | | |
| Net book value as at 1 January 2014 | 3,318 | 5,274 | 19,034 | 1,839 | 7,967 |
| Exchange adjustments | (8) | (54) | (131) | (3) | (64) |
| Additions | — | 507 | 776 | — | — |
| Increase in fair value | — | — | — | 19 | — |
| Disposals | — | — | (129) | — | — |
| Transfers | — | — | — | — | 96 |
| Depreciation and amortisation | — | (7) | (529) | — | (94) |
| Net book value as at 30 June 2014 | 3,310 | 5,720 | 19,021 | 1,855 | 7,905 |

## 15. Debtors, Deposits and Prepayments

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| Trade debtors, net (Note (a)) | **1,185** | 1,031 |
| Amounts due from fellow subsidiaries (Note (b)) | **15** | 14 |
| Amounts due from associates (Note (b)) | **329** | 561 |
| Amounts due from joint ventures (Note (b)) | **174** | 174 |
| Dividend receivables | **2,234** | 1,421 |
| Other debtors, deposits and prepayments | **265** | 492 |
| | **4,202** | 3,693 |

Notes:

(a) Bill receivables of HK$39 million (31 December 2014: HK$37 million) are included in trade debtors as at 30 June 2015.

The Group has a credit policy of allowing an average credit period of 90 days (2014: 90 days) to its trade customers. The ageing analysis of the trade debtors, net of provision for impairment of trade debtors is as follows:

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| Not yet due | **582** | 433 |
| Days overdue | | |
| – 1 - 90 days | **517** | 481 |
| – 91 - 180 days | **64** | 102 |
| – 181 - 365 days | **17** | 12 |
| – Over 365 days | **5** | 3 |
| | **1,185** | 1,031 |

(b) The amounts of HK$366 million (31 December 2014: HK$364 million) are unsecured, interest free and repayable on demand in accordance with the relevant agreements. The amounts of HK$152 million (31 December 2014: HK$385 million) are unsecured, interest-bearing at fixed rate of 1% per annum and repayable within twelve months from the end of the reporting period.

## 16. Share Capital

| | Number of shares Six month ended 30 June | | Share capital Six month ended 30 June | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015 HK$'million** | 2014 HK$'million |
| **Issued and fully paid:** | | | | |
| As at 1 January | **2,562,648,140** | 2,526,690,412 | **17,918** | 253 |
| Transfer from share premium upon abolition of par value (Note (b)) | — | — | — | 16,720 |
| Issue of shares on exercise of share options (Note (c)) | **7,221,000** | 314,000 | **166** | — |
| Issue of shares on conversion of MCS (note 17) | **744,404** | — | **22** | — |
| As at 30 June | **2,570,613,544** | 2,527,004,412 | **18,106** | 16,973 |

Notes:

(a) The Company had 5,000,000,000 authorised shares with par value of HK$0.1 each and HK$500 million authorised share capital before the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014. Since the commencement date of the new Hong Kong Companies Ordinance, the Company has no authorised share capital and its shares have no par value.

(b) Share premium of HK$16,720 million became part of the Company's share capital since the commencement date of the new Hong Kong Companies Ordinance.

(c) During the period, 7,221,000 (2014: 314,000) shares were issued upon exercise of share options, with net proceeds of HK$166 million (2014: HK$7 million).

The weighted average share price at the time of exercise was HK$32.96 (2014: HK$27.29) per share. The related transaction costs have been deducted from the proceeds received.

(d) During the period from 1 July 2015 to the date of approval of this condensed consolidated interim financial information, 16,312,535 ordinary shares were issued (i) to satisfy the payment of the 2014 final dividend of HK$542 million and (ii) upon the conversion of MCS (2014: 19,713,408 ordinary shares were issued (i) to satisfy the 2013 final dividend of HK$451 million, (ii) upon the conversion of MCS and (iii) upon exercise of share options).

## 16. Share Capital (Continued)

Notes: (Continued)

(e) Share options

The existing share option scheme was approved by the shareholders of the Company and adopted on 9 December 2011. No share options have been granted during any of the six-month period ended 30 June 2014 or 2015.

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

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | **Weighted average exercise price HK$** | **Number of share options** | Weighted average exercise price HK$ | Number of share options |
| As at 1 January | **23.01** | **20,383,000** | 22.72 | 22,461,000 |
| Exercised | **22.99** | **(7,221,000)** | 23.03 | (314,000) |
| As at 30 June | **23.03** | **13,162,000** | 22.72 | 22,147,000 |

All share options are exercisable as at 30 June 2015 and 31 December 2014. Share options outstanding as at 30 June 2015 and 31 December 2014 have the following expiry dates and exercise prices:

| | | Number of share options | |
|---|---|---|---|
| **Year of expiry** | **Exercise price HK$** | **30 June 2015** | 31 December 2014 |
| 2016 | 23.03 | **13,162,000** | 20,233,000 |
| 2016 | 20.91 | — | 150,000 |
| | | **13,162,000** | 20,383,000 |

## 17. Mandatory Convertible Securities

MCS are equity instruments issued by the Company at the subscription price of HK$30.26 per unit, representing a direct, unsecured and subordinated obligation of the Company. Subject to the discretion of the Company, the MCS entitles the holders to receive fixed coupons semiannually, before they are converted into ordinary shares of the Company, up to the mandatory conversion date, being the third anniversary following the date of issuance of the MCS. Holders of MCS have the rights to convert any of their MCS into ordinary shares of the Company, at the conversion rate of one unit of MCS to one ordinary share of the Company (subject to certain anti-dilution adjustments), at any time prior to the mandatory conversion date. The MCS are not entitled to dividends declared and paid by the Company to its ordinary shareholders and do not carry any voting rights of the Company.

## 17. Mandatory Convertible Securities (Continued)

On 6 June 2014, the open offer of the MCS, which was on the basis of one unit of MCS for every five ordinary shares held, became unconditional. A total of 505,400,882 units of MCS were issued, equivalent to 505,400,882 ordinary shares of the Company in issue when converted. An aggregate of 502,676,197 units (including those units taken up under underwriting arrangements) were issued to China Merchants Group Limited ("CMG") and its associates (as defined under the Rules Governing the Listing of Securities on the HKSE, including China Merchants Union (BVI) Limited). The net proceeds received by the Group amounted to HK$15,287 million.

During the six months ended 30 June 2015, 744,404 units (2014: nil) of MCS have been converted to ordinary shares of the Company and distribution amounted to HK$611 million (2014: nil) has been declared and paid to the holders of the MCS.

## 18. Loans from Shareholders

| | Loans from an intermediate holding company | | Loans from the ultimate holding company | | Total | |
|---|---|---|---|---|---|---|
| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
| The loans are repayable as follows: | | | | | | |
| Within 1 year | **710** | 834 | **104** | 484 | **814** | 1,318 |
| Between 1 and 2 years | **367** | — | **1,319** | 938 | **1,686** | 938 |
| Between 2 and 5 years | **254** | 127 | **—** | — | **254** | 127 |
| | **1,331** | 961 | **1,423** | 1,422 | **2,754** | 2,383 |
| Less: amounts due within one year included under current liabilities | **(710)** | (834) | **(104)** | (484) | **(814)** | (1,318) |
| Non-current portion | **621** | 127 | **1,319** | 938 | **1,940** | 1,065 |
| Interest rates per annum | **3.94% - 4.35%** | 3.94% - 4.35% | **4.65% - 5.20%** | 4.65% - 5.20% | | |

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

## 19. Other Financial Liabilities

| | 30 June 2015 HK$'million | 31 December 2014 HK$'million |
|---|---|---|
| **Bank loans** | | |
| Unsecured short-term bank loans | | |
| – variable rate | **1,075** | 512 |
| – fixed rate | **51** | — |
| Long-term variable rate bank loans, wholly repayable within five years | | |
| – unsecured | **505** | 1,118 |
| – secured (Note (a)) | — | 33 |
| Long-term variable rate bank loans, not wholly repayable within five years | | |
| – unsecured | **180** | 73 |
| – secured (Note (a)) | **4,251** | 4,476 |
| | **6,062** | 6,212 |
| **Loans from a non-controlling equity holder of a subsidiary** (Note (c)) | **367** | 361 |
| **Notes payable** (Note (d)) | | |
| – US$500 million, 5.375% guaranteed listed notes maturing in 2015 | — | 3,878 |
| – US$200 million, 7.125% guaranteed listed notes maturing in 2018 | **1,541** | 1,541 |
| – US$500 million, 5% guaranteed listed notes maturing in 2022 | **3,828** | 3,828 |
| – RMB400 million, 5% unlisted notes maturing in 2015 | — | 507 |
| – RMB200 million, 3.98% unlisted notes maturing in 2015 | **254** | — |
| – RMB300 million, 4.9% unlisted notes maturing in 2016 | **380** | — |
| – RMB500 million, 5.28% unlisted notes maturing in 2017 | — | 631 |
| – RMB500 million, 5.6% unlisted notes maturing in 2018 | **631** | 630 |
| | **6,634** | 11,015 |
| Total | **13,063** | 17,588 |
| Less: amounts due within one year included under current liabilities | **(1,908)** | (5,357) |
| Non-current portion | **11,155** | 12,231 |

## 19. Other Financial Liabilities (Continued)

Notes:

(a) As at 30 June 2015, the following assets are pledged against the Group's secured bank loans:

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| Property, plant and equipment | — | 31 |
| Land use rights | — | 7 |
| | — | 38 |

In addition to the above, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary as at 30 June 2015 and 31 December 2014 are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) Listed notes issued by subsidiaries of the Company of HK$5,369 million (31 December 2014: HK$9,247 million) are secured by corporate guarantees provided by the Company.

(c) The amounts are unsecured, interest-bearing at fixed rate at 4.65% (31 December 2014: 4.65%) per annum and no balance is required to be repaid within twelve months from the end of the reporting period. Accordingly, the entire balances are classified as non-current.

(d) All of the note payables are issued by subsidiaries of the Company. The effective interest rates are as follows:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| US$500 million, 5.375% guaranteed listed notes maturing in 2015 | **N/A** | 5.47% |
| US$200 million, 7.125% guaranteed listed notes maturing in 2018 | **7.36%** | 7.36% |
| US$500 million, 5% guaranteed listed notes maturing in 2022 | **5.22%** | 5.22% |
| RMB400 million, 5% unlisted notes maturing in 2015 | **N/A** | 5.30% |
| RMB200 million, 3.98% unlisted notes maturing in 2015 | **4.03%** | N/A |
| RMB300 million, 4.9% unlisted notes maturing in 2016 | **5.23%** | N/A |
| RMB500 million, 5.28% unlisted notes maturing in 2017 | **N/A** | 5.63% |
| RMB500 million, 5.6% unlisted notes maturing in 2018 | **5.95%** | 5.95% |

(e) As at 30 June 2015, the Group has undrawn bank loan facilities amounting to HK$12,569 million (31 December 2014: HK$12,762 million), of which HK$10,893 million (31 December 2014: HK$10,692 million) and HK$1,676 million (31 December 2014: HK$2,070 million) are committed and uncommitted credit facilities respectively.

(f) The other financial liabilities as at 30 June 2015 and 31 December 2014 are repayable as follows:

| | **Bank loans** | | **Listed notes payable** | | **Unlisted notes payable** | | **Loans from a non-controlling equity holder of a subsidiary** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | **30 June 2015 HK$'million** | 31 December 2014 HK$'million | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
| Within 1 year | **1,274** | 972 | — | 3,878 | **634** | 507 | — | — | **1,908** | 5,357 |
| Between 1 and 2 years | **382** | 687 | — | — | — | — | — | — | **382** | 687 |
| Between 2 and 5 years | **829** | 1,508 | **1,541** | 1,541 | **631** | 1,261 | — | — | **3,001** | 4,310 |
| Within 5 years | **2,485** | 3,167 | **1,541** | 5,419 | **1,265** | 1,768 | — | — | **5,291** | 10,354 |
| More than 5 years | **3,577** | 3,045 | **3,828** | 3,828 | — | — | **367** | 361 | **7,772** | 7,234 |
| | **6,062** | 6,212 | **5,369** | 9,247 | **1,265** | 1,768 | **367** | 361 | **13,063** | 17,588 |

## 19. Other Financial Liabilities (Continued)

Notes: (Continued)

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| Hong Kong dollar | **1.68% to 2.59%** | 1.53% to 4.24% |
| Renminbi | **5.65% to 6.72%** | 6.05% to 6.72% |
| Euro | **3.88% to 5.78%** | 3.88% to 5.46% |
| United States dollar | **1.22% to 3.98%** | 2.67% to 3.86% |

## 20. Creditors and Accruals

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| Trade creditors (Note (a)) | **212** | 269 |
| Amount due to an intermediate holding company (Note (b)) | **7** | 8 |
| Amounts due to fellow subsidiaries (Note (b)) | **122** | 170 |
| Receipt in advance for disposal of ownership interest in subsidiaries without loss of control (Note (c)) | **—** | 560 |
| Dividend payable to equity holders of the Company | **1,414** | — |
| Other payables and accruals | **1,685** | 2,087 |
| | **3,440** | 3,094 |

Notes:

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

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| Not yet due | **121** | 110 |
| Days overdue | | |
| – 1 - 90 days | **38** | 72 |
| – 91 - 180 days | **10** | 31 |
| – 181 - 365 days | **4** | 8 |
| – Over 365 days | **39** | 48 |
| | **212** | 269 |

## 20. Creditors and Accruals (Continued)

Notes: (Continued)

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

(c) During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group agreed to dispose of, and the third party agreed to acquire, 30% of the equity interest of Oasis King International Limited ("OKIL"), a then wholly-owned subsidiary of the Company, for an aggregate consideration of EUR57 million (equivalent to HK$576 million). As at 31 December 2014, the transaction was yet to be completed and the sum of EUR55 million (equivalent to HK$560 million) received from the buyer was therefore recognised as a liability in the consolidated statement of financial position of the Group as at 31 December 2014.

The disposal has been completed during the current period. An amount of HK$444 million, being the proportionate share of the carrying amount of the net asset of OKIL disposed as at the date of completion, has been adjusted to non-controlling interests.

This transaction represents a material change in ownership interest in existing subsidiaries without change of control during the period. The difference between the fair value of consideration received by the Group and the corresponding non-controlling interest attributable to the interest in OKIL disposed is recognised in other reserves.

## 21. Commitments and Contingent Liabilities

### (a) Capital commitments for property, plant and equipment, intangible assets and land use rights

| | **30 June 2015 HK$'million** | 31 December 2014 HK$'million |
|---|---|---|
| **Group:** | | |
| Authorised but not contracted | | |
| – Property, plant and equipment and intangible assets | **339** | 609 |
| Contracted but not provided for | | |
| – Property, plant and equipment and intangible assets | **2,404** | 2,243 |
| – Land use rights | **31** | 104 |
| | **2,774** | 2,956 |
| **Joint ventures:** | | |
| Authorised but not contracted | | |
| – Property, plant and equipment | **55** | 53 |
| – Land use rights | **16** | — |
| Contracted but not provided for | | |
| – Property, plant and equipment | **722** | 349 |
| – Land use rights | **46** | — |
| | **839** | 402 |
| | **3,613** | 3,358 |

## 21. Commitments and Contingent Liabilities (Continued)

### (b) Capital commitments for investments

| | 30 June 2015 HK$'million | 31 December 2014 HK$'million |
|---|---|---|
| **Group:** | | |
| Contracted but not provided for ports projects | **727** | 730 |

### (c) Contingent liabilities

As at 30 June 2015, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK$224 million (31 December 2014: HK$196 million) arising from the above loan facilities and other obligations.

The directors assessed the risk of default of the associate in serving the aforesaid loan facilities and other obligations at the end of the reporting period and considered the risk to be insignificant and it is not likely that any guaranteed amount will be claimed by this other shareholder.

## 22. Disposal of Subsidiaries

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

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

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

## 23. Material Related Party Balances and Transactions

The Directors regard CMG, a state-owned enterprise registered in the PRC and is controlled by the PRC Government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the period and balances arising from related transactions as at 30 June 2015 are as follows:

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

| | Note | **Six months ended 30 June 2015 HK$'million** | 2014 HK$'million |
|---|---|---|---|
| Rental income from | (i) | | |
| – an intermediate holding company | | **21** | 22 |
| – fellow subsidiaries | | **2** | 3 |
| – associates | | **8** | 9 |
| Rental expenses paid to | (i) | | |
| – an intermediate holding company | | **1** | 1 |
| – fellow subsidiaries | | **60** | 62 |
| – associates | | **42** | 39 |
| Service income from | (ii) | | |
| – fellow subsidiaries | | **27** | 14 |
| – joint ventures | | **63** | 63 |
| – associates | | **12** | — |
| Service fee paid to | (iii) | | |
| – fellow subsidiaries | | **16** | 23 |
| – joint ventures | | **11** | 8 |
| – an associate | | **—** | 1 |
| Interest expenses and upfront fees paid to | (iv) | | |
| – the ultimate holding company | | **34** | 35 |
| – an intermediate holding company | | **22** | 17 |
| – a shareholder | | **—** | 147 |

## 23. Material Related Party Balances and Transactions (Continued)

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

Notes:

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

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

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

(iv) Interest expenses were charged at interest rate as specified in note 18 to the condensed consolidated interim financial information on the outstanding amounts due to the ultimate and intermediate holding companies.

(v) During the period, a wholly-owned subsidiary of the Group transferred certain assets to a joint venture at a consideration of HK$74 million (six months ended 30 June 2014: HK$50 million).

(vi) During the period, the Group completed the disposal of the entire issued share capital of, and the entire amount of the shareholders' loan advanced by the Group to SAH, for an aggregate cash consideration of HK$760 million, to a wholly-owned subsidiary of CMG, details are disclosed in note 22.

(vii) During the period ended 30 June 2014, a wholly-owned subsidiary of the Group entered into a compensation agreement with a fellow subsidiary, pursuant to which the Group will demolish and relocate certain properties erected on the land to be returned to the fellow subsidiary for an aggregate amount of RMB112 million. The amount had been fully received as at 31 December 2014.

(viii) As at 30 June 2015, the Group placed deposits of HK$2,788 million (31 December 2014: HK$4,129 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the period, interest income from CMB amounted to HK$23 million (six months ended 30 June 2014: HK$20 million).

The balances with entities within CMG Group as at 30 June 2015 are disclosed in notes 15, 18 and 20 to this condensed consolidated interim financial information.

### (b) Transactions with other PRC state-controlled entities

The Group has transactions with other PRC state-controlled entities including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings.

## 23. Material Related Party Balances and Transactions (Continued)

### (c) Balance and transaction with a non-controlling equity holder of a subsidiary

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| Interest expense paid (Note) | **8** | 7 |

Note: Interest expense was charged at interest rate as specified in note 19 to the condensed consolidated interim financial information on the outstanding loans from a non-controlling equity holder of a subsidiary.

The balances with a non-controlling equity holder of a subsidiary as at 30 June 2015 and 31 December 2014 are disclosed in note 19 to the condensed consolidated interim financial information.

### (d) Key management compensation

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'million** | HK$'million |
| Salaries and other short-term employee benefits | **12** | 12 |

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