

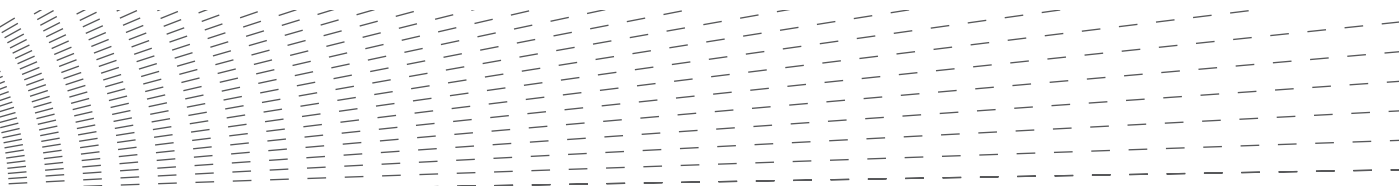
**WE
CONNECT
THE
WORLD**

2017

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United States 美國

Belgium 比利時
France 法國

Morocco 摩洛哥 Malta 馬爾他

Togo 多哥
Nigeria 尼日利亞

Côte d'Ivoire 科特迪瓦

Indian Subcontinent and Africa

印度次大陸及非洲

Colombo, Sri Lanka

斯里蘭卡，科倫坡

Colombo International Container Terminals

Lagos, Nigeria

尼日利亞，拉各斯

Tin-Can Island Container Terminal

Lomé, Togo

多哥，洛美

Lomé Container Terminal

City of Djibouti, Djibouti

吉布提，吉布提市

Port de Djibouti

Abidjan, Côte d'Ivoire

科特迪瓦，阿比讓

Terra Abidjan

Europe and Mediterranean

歐洲及地中海

Casablanca, Morocco

摩洛哥，卡薩布蘭卡

Somaport

Tangiers, Morocco

摩洛哥，丹吉爾

Eurogate Tanger

Marsaxlokk, Malta

馬爾他，馬沙斯洛克

Malta Freeport Terminals

Fos, France

法國，福斯

Eurofos

Le Havre, France

法國，勒阿弗爾

Terminal de France

Terminal Nord

Dunkirk, France

法國，敦克爾克

Terminal des Flandres

Montoir, France

法國，蒙圖瓦爾

Terminal du Grand Ouest

Antwerp, Belgium

比利時，安特衛普

Antwerp Gateway

Istanbul, Turkey

土耳其，伊斯坦布爾

Kumport

Others

其他

Busan, South Korea

南韓，釜山

Busan New Container Terminal

Miami, United States

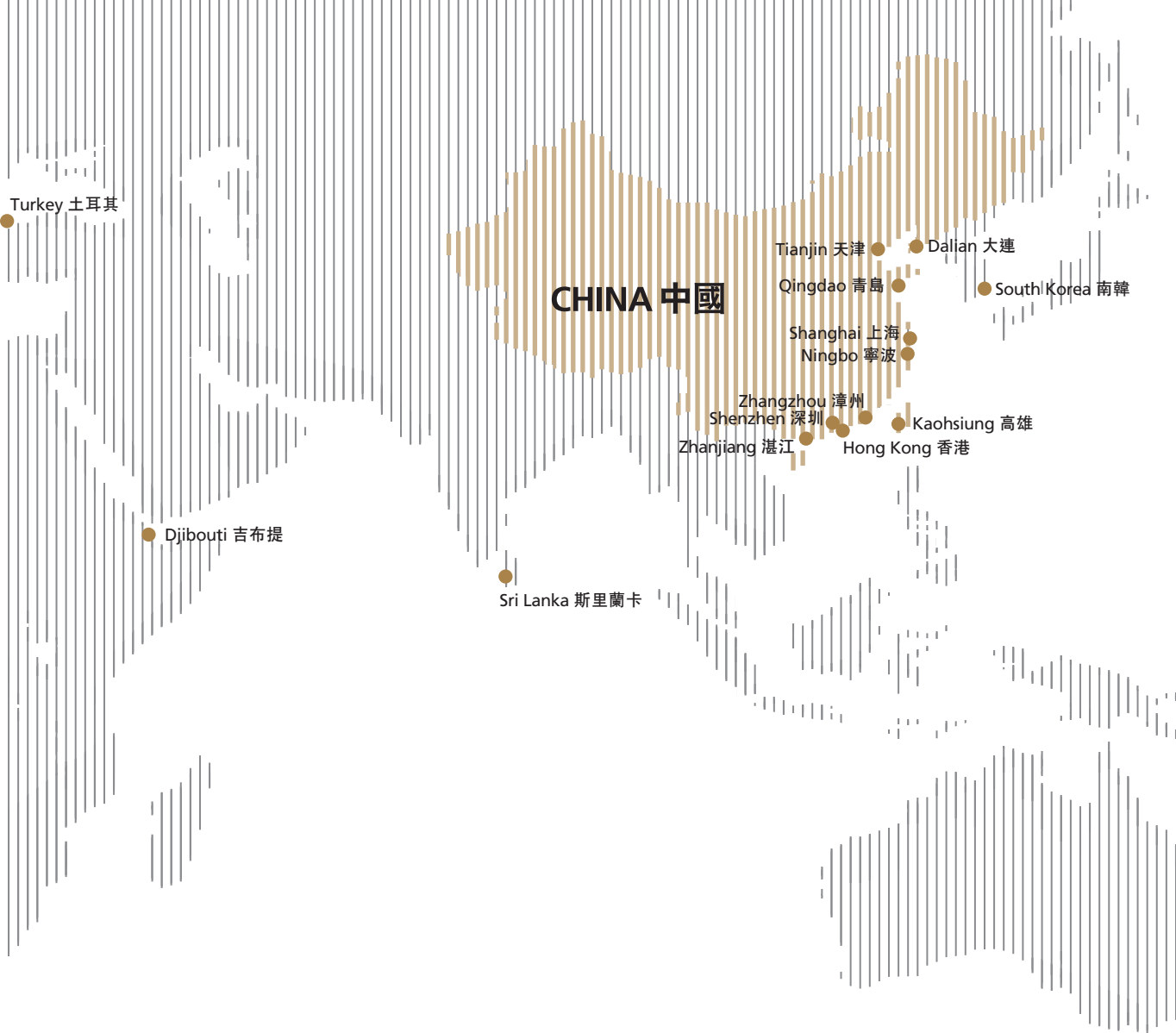
美國，邁阿密

South Florida Container Terminal

Houston, United States

美國，侯斯頓

Terminal Link Texas



Mainland China, Hong Kong and Taiwan
中國大陸、香港及台灣

Ports 碼頭業務

Logistics 綜合物流業務

Pearl River Delta

珠三角地區



- Mega SCT
蛇口集裝箱碼頭
- Chiwan Container Terminal
赤灣集裝箱碼頭
- Shenzhen Mawan Project
深圳媽灣項目
- Shenzhen Chiwan Wharf
深圳赤灣港航
- China Merchants Port Services
招商港務
- 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
現代貨箱碼頭



- China Merchants Bonded Logistics
招商局保稅物流

Yangtze River Delta

長三角地區



- Shanghai International Port (Group)
上海國際港務(集團)
- Ningbo Daxie China Merchants International Terminals
寧波大榭招商國際碼頭
- Ningbo Zhoushan Port
寧波舟山港

South-East Region

東南地區



- Zhangzhou China Merchants Port
漳州招商局碼頭

South-West Region

西南地區



- Zhanjiang Port
湛江港

Kaohsiung, Taiwan

台灣、高雄



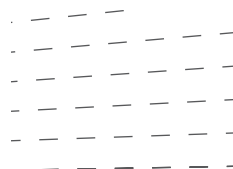
- Kao Ming Container Terminal
高明貨櫃碼頭

Bohai Rim

環渤海地區



- Dalian Port
大連港
- Qingdao Qianwan United Container Terminal
青島前灣聯合集裝箱碼頭
- Qingdao Qianwan West Port United Terminal
青島前灣西港聯合碼頭
- Qingdao Port Dongjiakou Ore Terminal
青島港董家口礦石碼頭
- Qingdao Port International
青島港國際
- Tianjin Five Continents International Container Terminal
天津五洲國際集裝箱碼頭
- China Merchants International Terminal (Qingdao)
招商局國際碼頭(青島)
- Tianjin Haitian Bonded Logistics
天津海天保稅物流



Corporate Information

Board of Directors

Mr. Li Xiaopeng (*Chairman*)
Mr. Hu Jianhua (*Vice Chairman*)
Mr. Wang Hong
Mr. Hua Li
Mr. Bai Jingtao (*Managing Director*)
Mr. Wang Zhixian
Mr. Zheng Shaoping
Ms. Shi Wei
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis*

* *independent non-executive director*

Registered Office

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

Company Secretary

Mr. Leung Chong Shun, Practising Solicitor

Principal Bankers

China Development Bank
Industrial and Commercial Bank of China
Bank of China
China Construction Bank
China Merchants Bank
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Auditor

Deloitte Touche Tohmatsu

Legal Adviser

Linklaters

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.cmport.com.hk>

Financial Highlights

| | For the six months ended 30 June | | Year-on-year changes |
|---|----------------------------------|--------------|-------------------------|
| | 2017 | 2016 | |
| | HK\$'million | HK\$'million | |
| Consolidated statement of profit or loss highlights | | | |
| Revenue¹ | 24,288 | 21,212 | 14.5% |
| Profit attributable to equity holders of the Company | 3,148 | 1,690 | 86.3% |
| Non-recurrent gains, net of tax ² | (879) | (35) | 2,411.4% |
| Recurrent profit | 2,269 | 1,655 | 37.1% |
| Earnings per share (HK cents) | | | |
| Basic | 100.62 | 54.49 | 84.7% |
| Diluted | 100.62 | 54.49 | 84.7% |
| Dividend per share (HK cents) | | | |
| Interim dividend | 22.00 | 22.00 | — |
| Special interim dividend | 135.00 | — | N/A |
| Consolidated statement of cash flows highlights | | | |
| Net cash generated from operating activities | 1,864 | 2,056 | (9.3%) |

| | 30 June | 31 December | Changes |
|--|----------------|--------------|---------|
| | 2017 | 2016 | |
| | HK\$'million | HK\$'million | |
| Consolidated statement of financial position highlights | | | |
| Total assets | 113,008 | 103,113 | 9.6% |
| Capital and reserves attributable to equity holders of the Company | 69,795 | 65,908 | 5.9% |
| Net interest-bearing debts ³ | 11,670 | 18,797 | (37.9%) |

| | For the six months ended 30 June | | Year-on-year changes |
|---|----------------------------------|---------------|----------------------|
| | 2017 | 2016 | |
| | HK\$'million | HK\$'million | |
| Revenue¹ | | | |
| Ports operation | 12,161 | 12,043 | 1.0% |
| Bonded logistics operation | 281 | 335 | (16.1%) |
| Port-related manufacturing operation | 9,265 | 6,599 | 40.4% |
| Other operations | 2,581 | 2,235 | 15.5% |
| Total | 24,288 | 21,212 | 14.5% |
| EBITDA⁴ | | | |
| Ports operation | 5,891 | 5,397 | 9.2% |
| Bonded logistics operation | 123 | 153 | (19.6%) |
| Port-related manufacturing operation | 835 | 350 | 138.6% |
| Other operations | 660 | 498 | 32.5% |
| EBITDA | 7,509 | 6,398 | 17.4% |
| Unallocated net income/(expenses) ⁶ | 563 | (135) | (517.0%) |
| Net interest expenses ⁵ | (1,067) | (844) | 26.4% |
| Taxation ⁵ | (1,096) | (1,050) | 4.4% |
| Depreciation and amortisation ⁵ | (2,079) | (2,141) | (2.9%) |
| Non-controlling interests ⁵ | (682) | (538) | 26.8% |
| Profit attributable to equity holders of the Company | 3,148 | 1,690 | 86.3% |

1. Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.
2. For 2017, include gain on disposal of a subsidiary of HK\$813 million and increase in fair value of investment properties, net of tax of HK\$66 million. For 2016, include increase in fair value of investment properties, net of tax of HK\$35 million.
3. Interest-bearing debts less cash and bank balances.
4. Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests ("Defined Earnings") of 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 2017 and 2016, and gain on disposal of a subsidiary in 2017.

Management Discussion and Analysis



General overview

In the first half of 2017, the global economy continued its recovery momentum from the second half of 2016. The economic indicators of the second quarter this year indicated continuous growth of economic activities around the world. In particular, although the growth of global trade and industrial production has slowed down from the high speed as at the end of 2016 and at the beginning of 2017, it was still much faster than that of the period from 2015 to 2016. Purchasing Managers' Index indicated that the manufacturing industry and the service industry remained robust. Among the advanced economies, the US economy recorded softer growth in the first quarter this year, but was still recovering at a faster pace as compared to other developed economies; the economic growth in the Euro Zone remained stable; and Japan witnessed better-than-expected economic growth. The economic activities in emerging economies and developing economies increased significantly. While the Chinese government carried out supply-side reform (including reduction of excessive industrial capacity), the Chinese economy maintained stable growth. Indonesia recorded impressive growth and sustained good momentum, and the other ASEAN-5 economies also recorded strong growth in general, while the Middle East, North Africa, Afghanistan and Pakistan experienced a significant slow-down. The economic prospects of the large emerging economies such as Brazil and Russia are gradually improving.

According to the "World Economic Outlook" published by the International Monetary Fund ("IMF") in July 2017, with the support of a buoyant financial market and a long-awaited cyclical recovery in manufacturing and trade sectors, global economic growth is projected to rise from 3.2% in 2016 to 3.5% in 2017 and 3.6% in 2018. The growth forecast for 2017 is 2.0% for developed economies, up 0.3 percentage point from that of 2016; and 4.6% for emerging markets and developing economies, up 0.3 percentage point from that of 2016. Global trade volume (including goods and services) is predicted to grow by 4.0%, up 1.7 percentage points as compared to that of 2016.

During the period under review, China maintained a positive upward trend with a Gross Domestic Product ("GDP") growth of 6.9% year-on-year. Due to the rebound of foreign trade, total import and export value amounted to US\$1,909.5 billion, representing a year-on-year increase of 13.0%, of which total export value was US\$1,047.3 billion, indicating an increase of 8.5% year-on-year, while total import value was US\$862.2 billion, representing an increase of 18.9% year-on-year.

Benefitted from the restorative growth of China's domestic demand and the good performance of import and export trade, according to the data published by the Ministry of Transport of China, the container throughput handled by Chinese ports of significant scale totalled 115 million TEUs during the first half of 2017, representing a year-on-year increase of 8.8%, up 6.3 percentage points as compared to the growth rate of the same period last year. Of which, 102 million TEUs were handled by coastal ports, representing a year-on-year increase of 7.8%, up 5.4 percentage points as compared to the growth rate of the same period last year.

During the six months ended 30 June 2017, the Group's ports handled a total container throughput of 50.16 million TEUs (2016: 46.07 million TEUs), grew by 8.9% as compared with the same period last year, and bulk cargo volume of 249 million tonnes (2016: 217 million tonnes), grew by 14.6% as compared with the same period last year. Profit attributable to equity holders of the Company amounted to HK\$3,148 million, representing an increase of 86.3% over the same period last year. Of this amount, profit of core ports operation attributable to equity holders of the Company amounted to HK\$2,453 million, representing an increase of 18.7% over the same period last year. EBITDA^{Note 1} of the Group's core ports operation amounted to HK\$5,891 million, up by 9.2% year-on-year, accounting for 78.5% of the Group's total.

Taking into consideration the operating results in the first half of 2017 and the anticipated need for future development, the Board declared an interim dividend of 22 HK cents per share. Meanwhile, 2017 is the 25th anniversary of the Company's listing. To express our gratitude to our shareholders for their continuous support, the Board also declared a one-off special interim dividend of 135 HK cents per share in celebration of the 25th anniversary of listing.

Note 1 Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests ("Defined Earnings") of the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.

Business review

Ports operation

In the first half of the year, the Group's ports handled a total container throughput of 50.16 million TEUs, up by 8.9% year-on-year, enabling the Group to sustain its leading position among port operators in China. The growth of the period was mainly benefitted from the cyclical recovery in the manufacturing and trading sectors and good growth momentum of regional economic performance in China. Among which, the Group's ports in Mainland China contributed container throughput of 37.88 million TEUs, indicating an increase of 9.9% year-on-year. The Group's ports in Hong Kong and Taiwan contributed an aggregate container throughput of 3.74 million TEUs, representing a growth of 20.9% year-on-year. Total container throughput handled by the Group's overseas ports was 8.54 million TEUs, which remained at the same level of that over the same period last year. Bulk cargo volume handled by the Group's ports increased by 14.6% year-on-year to 249 million tonnes, within which bulk cargo volume handled by ports in Mainland China totalled 246 million tonnes, representing an increase of 15.1% year-on-year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a total container throughput of 5.56 million TEUs in the first half of the year, up by 4.6% year-on-year, of which international container throughput totalled 5.15 million TEUs, up by 4.7% year-on-year, outperforming the overall Shenzhen port. Chu Kong River Trade Terminal

Co., Ltd. handled a total container throughput of 0.68 million TEUs, up by 3.3% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 10.45 million tonnes, up by 40.0% year-on-year, mainly driven by the growth in grain business. Dongguan Machong Terminal maintained a rapid growth with bulk cargo volume of 7.31 million tonnes handled during the period, representing an increase of 28.7% year-on-year. The total container throughput handled by ports in Hong Kong increased by 10.5% year-on-year in the first half of the year, of which the container throughput handled by the ports in Kwai Tsing area increased by 11.0% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 2.91 million TEUs in the first half of the year, up by 29.0% year-on-year, which outperformed the overall market of Hong Kong.

Yangtze River Delta region

In the first half of the year, Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a total container throughput of 19.60 million TEUs, up by 9.6% year-on-year, and bulk cargo volume of 83.53 million tonnes, up by 20.1% year-on-year, which was mainly driven by the increase in import and export volume benefitted from recovery of trade and the increase in number of shipping routes due to reorganisation of the alliances formed by shipping companies. As affected by the adjustment of certain shipping routes, Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a total container throughput of 1.64 million TEUs in the first half of the year, representing an increase of 29.4% year-on-year.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a total container throughput of 5.30 million TEUs and bulk cargo volume of 62.85 million tonnes, representing an increase of 21.6% and 36.2% year-on-year respectively. Qingdao Qianwan United Container Terminal Co., Ltd. handled a total container throughput of 3.24 million TEUs, representing a decrease of 1.0% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 6.41 million tonnes, representing a decrease of 6.5% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 27.91 million tonnes, indicating a decrease of 6.9% year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 1.24 million TEUs, representing a decrease of 1.3% year-on-year.

South-East region of Mainland China

Zhangzhou China Merchants Port Co., Ltd. (“ZCMP”), located in Xiamen Bay Economic Zone, handled a container throughput of 0.20 million TEUs during the first half of the

year, up 34.3% year-on-year, mainly benefitted from the increase in domestic shipping routes. The commencement of environmental remediation in the hinterland of ZCMP has resulted in a decline in demand for some industries. Bulk cargo volume handled by ZCMP amounted to 4.22 million tonnes, down by 16.5% year-on-year.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.42 million TEUs, up by 33.9% year-on-year; and a total bulk cargo volume of 42.84 million tonnes, which remained at the same level of that over the same period last year.

Taiwan

Kao Ming Container Terminal Corporation in Kaohsiung handled a total container throughput of 0.83 million TEUs in the first half of the year, reflecting a slight decrease of 1.0% year-on-year.



Overseas operation

During the first half of the year, total container throughput handled by the Group's overseas operation amounted to 8.54 million TEUs, which remained basically the same as that of the corresponding period of last year, among which container throughput handled by Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka rose significantly by 21.2% year-on-year to 1.11 million TEUs. Container throughput handled by Lomé Container Terminal S.A. in Togo amounted to 0.36 million TEUs, significantly up by 42.2% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.20 million TEUs, representing a slight decrease of 0.8% year-on-year. Container throughput handled by Port de Djibouti S.A. in Djibouti amounted to 0.48 million TEUs, down by 3.7% year-on-year. Terminal Link SAS, which disposed its 20% equity interests in Xinhaida project in Xiamen at the beginning of this year, handled container throughput of 5.97 million TEUs, representing a decrease of 4.6% year-on-year or an increase of 5.5% year-on-year if excluding the container throughput handled by Xinhaida project in Xiamen last year. Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey handled container throughput of 0.41 million TEUs, representing an increase of 12.6% year-on-year.

Strategic deployments in the ports operation

During the first half of 2017, moving towards its core goal of "to be a world's leading comprehensive port service provider", the Group proposed the operation philosophy of "enhancing capability, improving efficiency and quality, striving for self-improvement and integrating to achieve mutual benefits". The Group continued to strengthen its strategic management and control, and constantly optimised and refined its strategic plans and strategy research with a focus on strengthening the implementation of strategic operation and further enhancing the target management at all levels. It also stepped up its efforts in decomposition and evaluation of strategic performance indicators to highlight the weight attributable to evaluation of strategic planning and all-round assessment, thereby establishing a top-down system that can effectively break down tasks and allocate responsibilities. Meanwhile, the Group effectively

facilitated strategy research on various aspects, including the comprehensive development model of "Port-Park-City", "Port-Shipping Integration" and the comprehensive port ecosystem.

Regarding the development of its West Shenzhen homebase port, the Group proactively promoted resources consolidation and made steady progress in various fundamental works. As for the upgrade of hardware of West Shenzhen Port Zone, phase II of Tonggu Channel and Western Public Channel have commenced substantial construction while all preparatory work of the "Mawan smart ports" project at the preliminary stage has been completed. As for strengthening the intelligent management of its West Shenzhen homebase port, the "E-port" project has been making satisfactory progress. The construction of phase II was well underway, and the preliminary research on extending the "E-port" project to financial services has been carried out in an orderly manner. The development of the "Comprehensive Service Platform", which aims at enhancing and improving the environment for the customs clearance service in the bonded logistics park, has been officially established and progressing in an orderly manner. The construction of "EDI" platform has also commenced, and deployment tests have been conducted on Tencent's cloud platform. Various payment methods including WeChat and Alipay have been introduced and launched officially on the online and offline platforms of "ePay". The Qianhai Sub-platform of International Trade "Single Window", which helps trade facilitation, was officially put into operation.

As for overseas expansion, by seizing the development opportunities arising from the "Belt and Road" initiative promoted by China, the Group reviewed its development strategy for its overseas projects and that of key overseas regions with a view to optimising the layout of its overseas operation. On 29 July 2017, the Group entered into a concession agreement in relation to Hambantota Port so as to further push ahead with the construction of an overseas homebase port in Sri Lanka. The Group actively participated in the planning and construction of its ports and port-related business by leveraging on the development potential and advantages of different regions.

With respect to the Chinese port market, the Group continued to capture the opportunities arising from the ports consolidation and the coordinated development of ports and cities in China so as to expand its ports network in China and optimise the structure of domestic ports resources. It has also designed a multi-beneficial cooperation model based on the port condition of different regions and resources available in various hinterlands. On 10 April 2017, the Group entered into a subscription agreement to acquire 60% of the equity interest in Shantou Ports Group Corp Co., Ltd., which will further strengthen the Group's port network in Southern China. The transaction was completed on 9 August 2017.

With regard to innovative development, the Group promoted the "Internet + Port" business model in an innovative and orderly manner in the first half of the year, while proactively expanding its projects, including the integrated electronic bulk trading platform for grains cooperated with COFCO Corporation, and the establishment of the joint venture Silk Road E-Merchants Information Technologies Co.,

Ltd. with IZP Group. The Group also established a special working group for innovations to promote the establishment of a comprehensive port ecosystem on the foundation of ports operation. It also enhanced the synergy and cooperation between the involved parties in port business and strengthened its ability in creating values for customers through innovation of business models and cross-sector integration, which would facilitate its business expansion towards middle and high end of the ports value chain, thereby realising the transformation from a terminal operator to a comprehensive port services provider.

Bonded logistics operation

During the first half of the year, the Group's bonded logistics business performed differently. The utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen decreased to 75.8% due to the change of customs policies. China Merchants International Terminal (Qingdao) Co., Ltd. in Qingdao achieved a substantial increase in the



natural flow of goods in the industrial zone by making full use of its resources to develop self-operated business and the warehouse utilisation rate was 100%. Tianjin Haitian Bonded Logistics Co., Ltd., an associate of the Group, recorded an utilisation rate of 64.0% of its warehouses in the first half of the year, representing a decrease attributable to the impact brought by the Tianjian Port Explosion and relevant customs policies in respect of cross-border e-commerce.

During the first half of 2017, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 2.04 million tonnes, representing an increase of 9.1% year-on-year. Asia Airfreight Terminal Company Limited, in which the Group has interest, handled a total cargo volume of 0.26 million tonnes, representing a decrease of 11.8% year-on-year, and a market share of 12.7%, down by 3 percentage points year-on-year.

Financial review

For the six months ended 30 June 2017, the Group's revenue^{Note 2} amounted to HK\$24,288 million, up 14.5% over the same period last year, mainly resulted from an increase in the revenue contribution from China International Marine Containers (Group) Co., Ltd. ("CIMC") due to the influence of the recovery in global trade. During the period, revenue from core ports operation increased by 1.0% over the same period last year to HK\$12,161 million, offset by the influence of RMB depreciation, as a result of a rise in business volume. Profit attributable to equity holders of the Company amounted to HK\$3,148 million, up 86.3% over the same period last year, of which the Group completed the disposal of equity interest in CIMC during the current period and recognised disposal gain of approximately HK\$813 million. Profit attributable to equity holders of the Company derived from the core ports operation amounted to HK\$2,453 million, representing an increase of 18.7% over the same period last year.

As at 30 June 2017, total assets of the Group increased by 9.6% from HK\$103,113 million as at 31 December 2016 to HK\$113,008 million. Net assets attributable to equity holders of the Company was HK\$69,795 million as at 30 June 2017, representing an increase of 5.9% from that as at 31 December 2016, mainly resulted from an increase in fair value of the Group's available-for-sales financial assets and exchange differences from retranslation of foreign investments.

In general, the Group's ports operation continued to yield stable cash inflow. However, due to decrease in dividend receipts from certain associates over the same period last year, the Group's total net cash inflow from operating activities decreased by 9.3% year-on-year to HK\$1,864 million for the six months ended 30 June 2017. Due to the cash received from the disposal of CIMC and the capital expenditure on business acquisitions which was significantly lower than that of the same period last year, the Group has generated net cash inflow of HK\$6,532 million from investment activities for the six months ended 30 June 2017, as compared to a net cash outflow of HK\$8,523 million in the comparable period. The Group's net cash inflow from financing activities amounted to HK\$3,293 million during the six months ended 30 June 2017, comparing to HK\$1,459 million in the same period last year.

Liquidity and treasury policies

As at 30 June 2017, the Group had approximately HK\$15,424 million in cash, 59.2% of which was denominated in Hong Kong dollars, 3.9% in United States dollars, 36.0% in Renminbi and 0.9% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation, property investment, and investment returns from associates and joint ventures, which amounted to HK\$1,864 million in total.

Note 2 Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

During the period under review, the Group incurred capital expenditure amounted to HK\$668 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 loans, 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 2017, the Company had 3,128,867,827 shares in issue. During the period, the Company issued 503,135,602 new shares upon conversion of the Mandatory Convertible Securities. The market capitalisation of the Company was HK\$67,740 million (based on the closing price) as at 30 June 2017, indicating a significant increase of 34.1% as compared to its market capitalisation of HK\$50,519 million as at 30 December 2016 (based on the closing price). On 18 July 2017, the Company issued 43,209,660 shares under the Company's scrip dividend scheme.

As at 30 June 2017, the Group's net gearing ratio^{Note 3} was approximately 14.9%.

The financial statements of the Group's foreign investments are in Renminbi, Euro or United States dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in a reserve of the Group. The Group will keep monitoring market changes and explore on the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimise its overall exposure to maintain foreign exchange risk at a manageable level.

During the period, the Company issued fixed-rate unlisted notes maturing in 2022 for the amount of RMB2,500 million to finance the Group's working capital.

The Group had aggregate bank loans and listed notes payable of HK\$15,127 million as at 30 June 2017 that contain customary cross default provisions.

Note 3 Net interest-bearing debts divided by total equity.

As at 30 June 2017, the Group's outstanding interest-bearing debts are analysed as below:

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|---|--|-------------------------------------|
| Floating-rate bank loans which are repayable as follows (Note): | | |
| Within 1 year | 1,218 | 2,225 |
| Between 1 and 2 years | 1,782 | 516 |
| Between 2 and 5 years | 2,352 | 2,455 |
| More than 5 years | 2,451 | 2,304 |
| | 7,803 | 7,500 |
| Fixed-rate bank loans which are repayable as follows: | | |
| Within 1 year | 1,239 | 732 |
| More than 5 years | 28 | 28 |
| | 1,267 | 760 |
| Fixed-rate listed notes payable which are repayable: | | |
| In 2018 | 1,558 | 1,546 |
| In 2020 | 1,555 | 1,544 |
| In 2022 | 3,868 | 3,839 |
| In 2025 | 3,881 | 3,855 |
| | 10,862 | 10,784 |
| Fixed-rate unlisted notes payable which are repayable: | | |
| In 2017 | 1,762 | 1,962 |
| In 2019 | 344 | 334 |
| In 2022 | 2,908 | — |
| | 5,014 | 2,296 |
| Loans from the ultimate holding company | | |
| Repayable within 1 year | — | 336 |
| Loans from an intermediate holding company which are repayable as follows: | | |
| Within 1 year | 119 | 63 |
| Between 1 and 2 years | 58 | 223 |
| Between 2 and 5 years | — | 56 |
| | 177 | 342 |
| Loans from a fellow subsidiary | | |
| Repayable within 1 year | 1,533 | — |
| Loans from non-controlling equity holders of subsidiaries which are repayable as follows: | | |
| Within 1 year | 23 | 44 |
| More than 5 years | 415 | 372 |
| | 438 | 416 |

Note: All bank loans are unsecured except for HK\$4,199 million (31 December 2016: HK\$4,209 million).

The interest-bearing debts are denominated in the following currencies:

| | Bank loans HK\$' million | Listed notes payable HK\$' million | Unlisted notes payable HK\$' million | Loans from an intermediate holding company HK\$' million | Loans from the ultimate holding company HK\$' million | Loans from a fellow subsidiary HK\$' million | Loans from non-controlling equity holders of subsidiaries HK\$' million | Total HK\$' million |
|-------------------------------|-----------------------------|--|--|--|---|---|---|------------------------|
| As at 30 June 2017 | | | | | | | | |
| USD | 2,301 | 10,862 | — | — | — | — | 23 | 13,186 |
| RMB | 4,797 | — | 5,014 | 177 | — | 1,533 | — | 11,521 |
| EURO | 1,972 | — | — | — | — | — | 415 | 2,387 |
| | 9,070 | 10,862 | 5,014 | 177 | — | 1,533 | 438 | 27,094 |
| As at 31 December 2016 | | | | | | | | |
| USD | 2,569 | 10,784 | — | — | — | — | 44 | 13,397 |
| RMB | 3,803 | — | 2,296 | 342 | 336 | — | — | 6,777 |
| EURO | 1,888 | — | — | — | — | — | 372 | 2,260 |
| | 8,260 | 10,784 | 2,296 | 342 | 336 | — | 416 | 22,434 |

Assets charge

As at 30 June 2017, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK\$4,199 million (31 December 2016: HK\$4,209 million).

Employees and remuneration

As at 30 June 2017, the Group employed 5,656 full-time staff, of which 187 worked in Hong Kong, 4,543 worked in Mainland China, and the remaining 926 worked overseas. The remuneration paid for the period amounted to HK\$719 million, representing 25.5% 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 to the Company. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

The Group has at all times strived to maintain a good relationship with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Corporate social responsibility

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

In the first half of 2017, aiming at “energy conservation and efficiency enhancement” with “technological innovations” as the means while fulfilling the corporate social responsibility of “conserving energy, reducing emission and carbon footprint, and protecting the environment”, the Group has continued its efforts in promoting the building of green ports by expediting the transformation of our ports, which enables them to become more environment-friendly and energy-conserving. 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 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 logistics equipment, optimisation of energy consumption structure and initiation of intelligent operations. The Company has effectively implemented a total of 11 projects (after adjustments) with a total investment of RMB77.41 million, all of which have been completed. These projects demonstrated the Group’s efforts in establishing a new and modern container port zone that is green, efficient, eco-friendly and sustainable with the use of clean energy and green power.

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

society. During the first half of the year, CICT in Sri Lanka, a subsidiary of the Group, joined hands with China Merchants Charitable Foundation, to donate Rupees 7.5 million worth of supplies in total to the county council and local government departments of Sri Lanka as well as the Ministry of Disaster Management of Sri Lanka respectively, to help the victims of flooding and landslide regions in Sri Lanka to overcome difficulties. The Company also continued to run the “Shaping Blue Dreams Together — C Blue Restore Sight Project” (共鑄藍色夢想—招商局一帶一路光明行), providing free surgeries for 154 local patients, who were poor and suffered from cataract, to recover their sight.

Future prospects

Looking into the second half of the year, the global economy will stay on the recovery trajectory, mainly under the influence of the demand side, especially the manufacturing industry with encouraging investment demand, and the global trade volume. The growth rate of the global economy will return to its long-term average. According to IMF, it is expected that the global economy will grow by 3.5% in 2017, up 0.3 percentage point as compared to that in 2016, among which, developed economies are expected to grow by 2.0% (2016: 1.7%), while emerging and developing economies will grow by 4.6% (2016: 4.3%).

Chinese economy is expected to experience a moderation in the second half of the year with GDP remaining at the level of 6.7% throughout the year. From the demand perspective, the growth rate of real estate and infrastructure investment will drop, while investment in the manufacturing industry may continue to rise, hence, the overall investment growth rate may slightly increase as compared to that in 2016. The growth rate of consumption will remain steady against the backdrop of consumption upgrade. The economic contribution of import and export will increase with support from the stable external demand.

The rebound of demand in shipping industry, further enhancement of container shipment centralisation and the expected improvement of utilisation of dry bulk shipping capacity constitute the key conditions for upward elasticity on shipping freight rate. The industry has entered a phase of structural recovery. As the traditional peak season of container and dry bulk shipment take place in the third and fourth quarter respectively, the recovery of the industry deserves expectation. Moreover, benefitted from the recovery of the shipping industry, it is expected that the port industry will record restorative growth throughout the year.

In the second half of the year, the Group will continue to pursue its strategic directives to ensure that all operational targets can be met. To this end, the Group will maintain its strategic positioning and further enhance its target management. Simultaneously, the Group will continue to promote its strategic development plan and step up its efforts in implementing its strategic operation and evaluation system. It will also seek to nurture and explore new drivers for profitability by dedicating more resources in the research of strategic development and deepening the strategic philosophy of the comprehensive port ecosystem and the related implementation plan. The Group will conduct a thorough review on the transformation and innovation of its

ports operation, including the expansion into upstream and downstream of ports operation and extension of the industrial chain, with a view to promoting the strategic synergy of related internal and external port resources, thereby forming a database for investment cooperation projects of enterprises providing port and shipping services and recommendation for the implementation of such projects.

While staying focused on its core ports operation, the Group will strive to achieve new breakthrough by promoting the development of its key projects. The Group will enhance the overall competitiveness of its homebase port in China and assure the implementation of the consolidation projects. In addition to following up the construction of Tonggu Channel dredging and widening project, the Group will also endeavour to put Tonggu Channel into trial operation for container vessel of 200,000 DWT to navigate therein, and simultaneously complete the construction of the public channel in West Shenzhen Port Zone and the channel dredging and widening projects in the sea area of Chiwan and Shekou. Moreover, by leveraging on the resource advantages of the strong alliance between Shenzhen homebase port and the Pearl River Delta, including the network of inland river terminals, barge transportation, sea-rail intermodal transportations, one-stop logistics, storage



and delivery service, freight forwarder and shipping agency, etc., the Group can further improve its service products in relation to cargo collection-distribution, enhance the attractiveness of Shenzhen homebase port for cargo from the Pearl River Delta region as well as reinforce and strengthen the overall servicing capability of Shenzhen homebase port. In addition, the Group will push forward the research on overseas projects in a pragmatic manner by formulating definite development strategy for projects of each region and developing such projects steadily according to the existing strategic deployments. It will also establish a designated team to take full charge of the relevant works of port consolidation with a view to formulating a plan that can benefit all parties.

The Group will insist on pursuing innovation and transformation and continue to exert great efforts in building a comprehensive port ecosystem and promoting the operational transformation towards “Port + Project” model. With Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. as the executor, the Group will proactively obtain the relevant qualification for project construction and strive for resource integration along the industrial chain of the upstream and downstream engineering services, thereby effectively transforming from a project supervisory company to a general engineering contractor and hence play a more important role in supporting the strategic development of the Group. In order to strengthen business innovation and development, the Group will endorse the investment needs on technological research and development. It will further facilitate the replication and promotion of the success in “Port+” model and launch pilot projects of “Port+” in respect of grain and timber trading in a bid to achieve integrated innovation and cross-sector integration. Besides, as integration of industry with elements of finance can help optimise asset structure, the Group will analyse, reallocate and optimise its asset structure and financing channels accordingly.

Against a backdrop of continuous recovery of the global economy and trade, steady growth of the Chinese economy and changing competitive landscape of the port and shipping market in 2017, the Group will seize new opportunities for its port business to analyse, adjust and optimise its asset structure and financing channels with a view to enhancing its overall return on equity. As always, the Group will endeavour to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

Interim dividend and special 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\$698 million for the six months ended 30 June 2017 (representing a dividend payout of 22.2%) and a special interim dividend of 135 HK cents per share celebrating the 25th listing anniversary of the Company by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend and the special interim dividend (or part thereof) in cash in lieu of such allotment (2016: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 16 November 2017 to shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on 3 October 2017 (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 6 October 2017. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Hong Kong 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 and the special interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 16 November 2017.

Closure of register

The Register of Members will be closed from 25 September 2017 to 3 October 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend and the special 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 22 September 2017.

Directors' interests in securities

As at 30 June 2017, 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 | Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2017 |
|-----------------------|--------------------|--------------------|---------------------------------|---|
| Mr. Wang Hong | Beneficial owner | Personal interest | 367,276 | 0.0117% |
| Mr. Lee Yip Wah Peter | Beneficial owner | Personal interest | 186,802 | 0.0060% |
| Mr. Li Kwok Heem John | Interest of spouse | Family interest | 1,760,047 | 0.0563% |
| | | | 2,314,125 | 0.0740% |

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2017, 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 Hong Kong Stock Exchange (the "Listing Rules"), to be notified to the Company and the Hong Kong 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 “**Adoption Date**”), the shareholders of the Company adopted the new share option scheme (the “**Share Option Scheme**”) and the previous share option scheme was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates, 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**”).

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and ending on 8 December 2021. All outstanding share options had expired on 25 May 2016. Besides, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme during the period. Accordingly, there was no outstanding option from 1 January to 30 June 2017.

Substantial shareholders

As at 30 June 2017, 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 | 1,941,121,828 ^(1,2,3) | 62.04% |
| China Merchants Steam Navigation Company Limited | Interest of Controlled Corporation | 1,938,121,828 ⁽²⁾ | 61.94% |
| China Merchants Holdings (Hong Kong) Company Limited | Interest of Controlled Corporation | 1,938,121,828 ⁽²⁾ | 61.94% |
| China Merchants Union (BVI) Limited | Beneficial Owner | 911,410,193 ⁽²⁾ | 29.13% |
| China Merchants Investment Development Company Limited | Beneficial Owner | 1,026,711,635 ⁽²⁾ | 32.81% |
| Pagoda Tree Investment Company Limited | Interest of Controlled Corporation | 914,134,878 ⁽⁴⁾ | 29.22% |
| Compass Investment Company Limited | Interest of Controlled Corporation | 914,134,878 ⁽⁴⁾ | 29.22% |
| GUOXIN International Investment Corporation Limited | Interest of Controlled Corporation | 911,410,193 ⁽⁵⁾ | 29.13% |
| Verise Holdings Company Limited | Interest of Controlled Corporation | 911,410,193 ⁽⁵⁾ | 29.13% |

Notes:

1. Each of China Merchants Steam Navigation Company Limited (“**CMSN**”) and China Merchants Shekou Industrial Zone Holdings Company Limited (“**CMSIZ**”) is a subsidiary of China Merchants Group Limited (“**CMG**”). CMG is deemed to be interested in 1,941,121,828 shares which represents the aggregate of 1,938,121,828 shares deemed to be interested by CMSN (see Note 2 below) and 3,000,000 shares deemed to be interested by CMSIZ (see Note 3 below).
2. China Merchants Holdings (Hong Kong) Company Limited (“**CMHK**”) is wholly-owned by CMSN. China Merchants Investment Development Company Limited (“**CMID**”) is in turn wholly-owned by CMHK and China Merchants Union (BVI) Limited (“**CMU**”) is 50%-owned by CMHK.

CMSN is deemed to be interested in 1,938,121,828 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 911,410,193 shares beneficially held by CMU and 1,026,711,635 shares beneficially held by CMID.
3. Top Chief Company Limited (“**Top Chief**”) is wholly-owned by CMSIZ and Orienture Holdings Company Limited (“**Orienture**”) is in turn wholly-owned by Top Chief. CMSIZ is deemed to be interested in the 3,000,000 shares which are deemed to be interested by Top Chief. Such shares represent the 3,000,000 shares beneficially held by Orienture.
4. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited (“**Pagoda Tree**”) on 21 May 2014, 50% interest in CMU is owned by Verise Holdings Company Limited (“**Verise Holdings**”), which is wholly-owned by GUOXIN International Investment Corporation Limited (“**GUOXIN International**”), which is in turn 90%-owned by Compass Investment Company Limited (“**Compass Investment**”), which is in turn wholly-owned by Pagoda Tree. Therefore, each of Verise Holdings, GUOXIN International, Compass Investment and Pagoda Tree 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 on 12 June 2014, 50% interest in CMU is owned by Verise Holdings, which is wholly-owned by GUOXIN International. Therefore, each of Verise Holdings and GUOXIN International 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 (“**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 2017, except the following: -

In respect of Code Provision E.1.2 under the Corporate Governance Code, Mr. Li Xiaopeng, the Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2017 due to business trip. Mr. Hu Jianhua, the Vice Chairman took the chair of the annual general meeting according to the Company’s Articles of Association.

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 2 June 2017 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 risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2017 and the 2017 Interim Report.

Update on Director’s biographical details

With effect from 15 June 2017, Ms. Shi Wei (“**Ms. Shi**”) was appointed as Deputy General Manager of China Merchants Capital Investment Co., Ltd. and has resigned as Deputy General Manager of the Company on 21 June 2017. On 1 August 2017, Ms. Shi has also resigned as the Chairman, Director and all Committee Members of Shenzhen Chiwan Wharf Holdings Limited (“**Shenzhen Chiwan Wharf**”), shares of which are listed on the Shenzhen Stock Exchange.

On 7 August 2017, Mr. Wang Zhixian has retired as a Non-executive Director of CIMC, shares of which are listed on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange.

On 23 August 2017, Mr. Bai Jingtao has been proposed for appointment as the Director of Shenzhen Chiwan Wharf.

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 Xiaopeng

Chairman

Hong Kong, 31 August 2017

Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2017

| | Note | Unaudited | |
|--|------|----------------------|----------------------|
| | | 2017 HK\$'million | 2016 HK\$'million |
| Revenue | 6 | 4,055 | 3,847 |
| Cost of sales | | (2,291) | (2,206) |
| Gross profit | | 1,764 | 1,641 |
| Other income and other gains, net | 8 | 1,026 | 159 |
| Administrative expenses | | (530) | (460) |
| Operating profit | | 2,260 | 1,340 |
| Finance income | 9 | 36 | 28 |
| Finance costs | 9 | (582) | (445) |
| Finance costs, net | 9 | (546) | (417) |
| Share of profits less losses of | | | |
| Associates | | 1,861 | 1,267 |
| Joint ventures | | 203 | 156 |
| | | 2,064 | 1,423 |
| Profit before taxation | | 3,778 | 2,346 |
| Taxation | 10 | (302) | (356) |
| Profit for the period | 12 | 3,476 | 1,990 |
| Attributable to: | | | |
| Equity holders of the Company | | 3,148 | 1,690 |
| Non-controlling interests | | 328 | 300 |
| Profit for the period | | 3,476 | 1,990 |
| Dividends | 13 | 4,980 | 575 |
| Earnings per share for profit attributable to equity holders of the Company | 14 | | |
| Basic (HK cents) | | 100.62 | 54.49 |
| Diluted (HK cents) | | 100.62 | 54.49 |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2017

| | Note | Unaudited 2017 HK\$'million | 2016 HK\$'million |
|---|------|--|----------------------|
| Profit for the period | | 3,476 | 1,990 |
| Other comprehensive income/(expense) | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures | | 2,553 | (973) |
| Increase/(decrease) in fair value of available-for-sale financial assets, net of deferred taxation | | 470 | (1,593) |
| Share of investment revaluation reserve of associates | | 167 | (24) |
| Release of reserves upon disposal of a subsidiary | 11 | (57) | — |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Share of other reserves of associates | | (19) | 21 |
| Total other comprehensive income/(expense) for the period, net of tax | | 3,114 | (2,569) |
| Total comprehensive income/(expense) for the period | | 6,590 | (579) |
| Total comprehensive income/(expense) attributable to: | | | |
| Equity holders of the Company | | 5,898 | (769) |
| Non-controlling interests | | 692 | 190 |
| | | 6,590 | (579) |

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

| | Note | Unaudited 30 June 2017 HK\$'million | Audited 31 December 2016 HK\$'million |
|-----------------------------------|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 15 | 2,868 | 2,791 |
| Intangible assets | 15 | 5,743 | 5,407 |
| Property, plant and equipment | 15 | 18,666 | 18,459 |
| Investment properties | 15 | 7,773 | 7,455 |
| Land use rights | 15 | 7,406 | 7,265 |
| Interests in associates | | 37,046 | 43,020 |
| Interests in joint ventures | | 9,325 | 8,909 |
| Other financial assets | | 3,878 | 3,350 |
| Other non-current assets | | 666 | 395 |
| Deferred tax assets | | 47 | 49 |
| | | 93,418 | 97,100 |
| Current assets | | | |
| Inventories | | 91 | 77 |
| Debtors, deposits and prepayments | 16 | 4,073 | 2,296 |
| Taxation recoverable | | 2 | 3 |
| Cash and bank balances | | 15,424 | 3,637 |
| | | 19,590 | 6,013 |
| Total assets | | 113,008 | 103,113 |

As at 30 June 2017

| | Note | Unaudited 30 June 2017 HK\$'million | Audited 31 December 2016 HK\$'million |
|---|------|--|--|
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 17 | 34,767 | 19,548 |
| Mandatory convertible securities | 18 | — | 15,219 |
| Reserves | | 30,048 | 29,434 |
| Proposed dividends | | 4,980 | 1,707 |
| | | 69,795 | 65,908 |
| Non-controlling interests | | 8,470 | 7,830 |
| Total equity | | 78,265 | 73,738 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans from shareholders | 19 | 58 | 279 |
| Other financial liabilities | 20 | 19,584 | 16,793 |
| Other non-current liabilities | | 1,158 | 1,186 |
| Deferred tax liabilities | | 1,846 | 1,973 |
| | | 22,646 | 20,231 |
| Current liabilities | | | |
| Creditors and accruals | 21 | 4,436 | 3,497 |
| Loans from shareholders | 19 | 119 | 399 |
| Other financial liabilities | 20 | 7,333 | 4,963 |
| Taxation payable | | 209 | 285 |
| | | 12,097 | 9,144 |
| Total liabilities | | 34,743 | 29,375 |
| Total equity and liabilities | | 113,008 | 103,113 |
| Net current assets/(liabilities) | | 7,493 | (3,131) |
| Total assets less current liabilities | | 100,911 | 93,969 |

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2017

| | Unaudited | | | | | | |
|---|---|------------------------|----------------|-------------------|--------------|---------------------------|---------|
| | Attributable to equity holders of the Company | | | | | Non-controlling interests | Total |
| | Mandatory | | Other reserves | Retained earnings | Total | | |
| | Share capital | convertible securities | | | | | |
| HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | |
| As at 1 January 2017 | 19,548 | 15,219 | 2,099 | 29,042 | 65,908 | 7,830 | 73,738 |
| COMPREHENSIVE INCOME | | | | | | | |
| Profit for the period | — | — | — | 3,148 | 3,148 | 328 | 3,476 |
| Other comprehensive income/(expense) | | | | | | | |
| Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures | — | — | 2,190 | — | 2,190 | 363 | 2,553 |
| Increase in fair value of available-for-sale financial assets, net of deferred taxation | — | — | 469 | — | 469 | 1 | 470 |
| Share of reserves of associates | — | — | 148 | — | 148 | — | 148 |
| Release of reserves upon disposal of a subsidiary | — | — | (522) | 465 | (57) | — | (57) |
| Total other comprehensive income for the period, net of tax | — | — | 2,285 | 465 | 2,750 | 364 | 3,114 |
| Total comprehensive income for the period | — | — | 2,285 | 3,613 | 5,898 | 692 | 6,590 |
| TRANSACTIONS WITH OWNERS | | | | | | | |
| Capital contribution to a subsidiary | — | — | — | — | — | 166 | 166 |
| Transfer to reserves | — | — | 30 | (30) | — | — | — |
| Dividends | — | — | — | (1,707) | (1,707) | (209) | (1,916) |
| Distribution to mandatory convertible securities holders | — | — | — | (304) | (304) | — | (304) |
| Issue of shares upon conversion of mandatory convertible securities | 15,219 | (15,219) | — | — | — | — | — |
| Repayment of capital contribution to a non-controlling equity holder | — | — | — | — | — | (9) | (9) |
| Total transactions with owners for the period | 15,219 | (15,219) | 30 | (2,041) | (2,011) | (52) | (2,063) |
| As at 30 June 2017 | 34,767 | — | 4,414 | 30,614 | 69,795 | 8,470 | 78,265 |

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2017

| | Unaudited | | | | | | |
|---|---|----------------------------------|----------------|-------------------|---------|---------------------------|---------|
| | Attributable to equity holders of the Company | | | | | Non-controlling interests | Total |
| | Share capital | Mandatory convertible securities | Other reserves | Retained earnings | Total | | |
| | | HK\$'million | HK\$'million | HK\$'million | | | |
| As at 1 January 2016 | 18,994 | 15,224 | 8,185 | 26,425 | 68,828 | 7,821 | 76,649 |
| COMPREHENSIVE INCOME | | | | | | | |
| Profit for the period | — | — | — | 1,690 | 1,690 | 300 | 1,990 |
| Other comprehensive (expense)/income | | | | | | | |
| Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures | — | — | (863) | — | (863) | (110) | (973) |
| Decrease in fair value of available-for-sale financial assets, net of deferred taxation | — | — | (1,593) | — | (1,593) | — | (1,593) |
| Share of reserves of associates | — | — | (3) | — | (3) | — | (3) |
| Total other comprehensive expense for the period, net of tax | — | — | (2,459) | — | (2,459) | (110) | (2,569) |
| Total comprehensive (expense)/income for the period | — | — | (2,459) | 1,690 | (769) | 190 | (579) |
| TRANSACTIONS WITH OWNERS | | | | | | | |
| Issue of shares on exercise of share options, net of share issue expenses | 2 | — | — | — | 2 | — | 2 |
| Transfer upon lapse of share options | — | — | (48) | 48 | — | — | — |
| Capital contribution to subsidiaries | — | — | 19 | — | 19 | 92 | 111 |
| Transfer to reserves | — | — | 35 | (30) | 5 | — | 5 |
| Dividends | — | — | — | (1,429) | (1,429) | (171) | (1,600) |
| Distribution to mandatory convertible securities holders | — | — | — | (457) | (457) | — | (457) |
| Repayment of capital contribution to a non-controlling equity holder | — | — | — | — | — | (3) | (3) |
| Total transactions with owners for the period | 2 | — | 6 | (1,868) | (1,860) | (82) | (1,942) |
| As at 30 June 2016 | 18,996 | 15,224 | 5,732 | 26,247 | 66,199 | 7,929 | 74,128 |

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2017

| | Note | Unaudited | |
|--|------|----------------------|----------------------|
| | | 2017 HK\$'million | 2016 HK\$'million |
| Net cash generated from operating activities | | 1,864 | 2,056 |
| Cash flows from investing activities | | | |
| Proceed from disposal of a subsidiary | 11 | 8,543 | — |
| Purchase of property, plant and equipment and port operating rights | | (738) | (655) |
| Repayment from/(advance to) an associate | | 54 | (111) |
| Investments in associates and a joint venture | | (171) | (5,959) |
| Payment for acquisition of assets through acquisition of a subsidiary (net of deposit previously paid and cash and cash equivalent acquired) | | (1,144) | (1,828) |
| Other investing cash flows | | (12) | 30 |
| Net cash generated from/(used in) investing activities | | 6,532 | (8,523) |
| Net cash generated from financing activities | | 3,293 | 1,459 |
| Increase/(decrease) in cash and cash equivalents | | 11,689 | (5,008) |
| Cash and cash equivalents at 1 January | | 3,637 | 10,293 |
| Effect of foreign exchange rate changes | | 98 | (22) |
| Cash and cash equivalents at 30 June, represented by cash and bank balances | | 15,424 | 5,263 |

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

China Merchants Port Holdings 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 Directors on 31 August 2017 but has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on HKSE and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2016 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 2016 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, as described therein.

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

| | |
|------------------------|--|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle |

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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 2016.

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 does 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 2016.

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

(ii) Fair value estimation

Different levels of fair value measurements 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.

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

The following tables present the Group's assets that are measured at fair value at 30 June 2017 and 31 December 2016:

| | Level 1 HK\$'million | Level 2 HK\$'million | Level 3 HK\$'million | Total HK\$'million |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| As at 30 June 2017 | | | | |
| Financial assets | | | | |
| Available-for-sale financial assets | | | | |
| – listed equity investments | 3,200 | — | — | 3,200 |
| – unlisted equity investments | — | — | 678 | 678 |
| | 3,200 | — | 678 | 3,878 |
| As at 31 December 2016 | | | | |
| Financial assets | | | | |
| Available-for-sale financial assets | | | | |
| – listed equity investments | 2,772 | — | — | 2,772 |
| – unlisted equity investments | — | — | 578 | 578 |
| | 2,772 | — | 578 | 3,350 |

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 Guideline Publicly Traded Company 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. As at 30 June 2017, 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.

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)

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.

The following tables present the changes in level 3 financial instruments for the six months ended 30 June 2017 and 2016:

| | Available- for-sale financial assets HK\$'million |
|---|--|
| For the six months ended 30 June 2017 | |
| As at 1 January 2017 | 578 |
| Exchange adjustments | 13 |
| Unrealised fair value gain recognised in other comprehensive income (included in other reserves) | 87 |
| As at 30 June 2017 | 678 |
| For the six months ended 30 June 2016 | |
| As at 1 January 2016 | 585 |
| Exchange adjustments | (7) |
| Unrealised fair value loss recognised in other comprehensive income (included in other reserves) | (7) |
| As at 30 June 2016 | 571 |

(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 operation and property investment. The following is an analysis of the Group's revenue from its major services offered during the period.

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2017 HK\$'million | 2016 HK\$'million |
| Ports service, transportation income, container service and container yard management income | 3,821 | 3,646 |
| Logistics services income | 199 | 201 |
| Gross rental income from investment properties | 35 | — |
| | 4,055 | 3,847 |

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 business and geographic perspectives.

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

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

- (i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. In prior years, ports operation was evaluated on a geographic basis, including Pearl River Delta excluding Hong Kong, Hong Kong, Yangtze River Delta, other regions in Mainland China, Hong Kong and Taiwan, and other locations outside of Mainland China, Hong Kong and Taiwan. To better reflect the expansions of the Group's ports operation and assessment of performance across different operating units and allocations of resources thereto, the CODM modified the geographical setting in the Group's internal reports to Pearl River Delta, Yangtze River Delta, Bohai Rim and other regions in Mainland China, Hong Kong and Taiwan, and other locations outside of Mainland China, Hong Kong and Taiwan.

7. SEGMENT INFORMATION (Continued)

- (i) The Group's reportable segments of the ports operation are therefore modified as follows:
- (a) Mainland China, Hong Kong and Taiwan
- Pearl River Delta
 - Yangtze River Delta
 - Bohai Rim
 - Others
- (b) Other locations outside of Mainland China, Hong Kong and Taiwan
- (ii) Bonded logistics operation includes logistics park operation, ports transportation and airport cargo handling operated by the Group and its associates.
- (iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate. Following the disposal of its entire interest in Soares Limited ("Soares"), a wholly-owned subsidiary of the Company whose principal asset was the Group's entire interest in an associate engaging in the port-related manufacturing operation, the segment information in this segment reported to the Group's CODM is up to the date of such disposal. Further details of the disposal of Soares are set out in note 11.
- (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.

7. SEGMENT INFORMATION (Continued)

Each of the segments under ports operation include the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations include a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

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

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 2017 and 2016.

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 |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| Mainland China, Hong Kong and Taiwan | 3,306 | 3,270 | 69,667 | 74,650 |
| Other locations | 749 | 577 | 19,826 | 19,051 |
| | 4,055 | 3,847 | 89,493 | 93,701 |

7. SEGMENT INFORMATION (Continued)

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

| | REVENUE | | | | | | | | | |
|---|--------------------------------------|---------------------|--------------|-----------------|--------------|--------------|----------------------------|--------------------------------------|------------------|--------------|
| | Ports operation | | | | | | Bonded logistics operation | Port-related manufacturing operation | Other operations | Total |
| | Mainland China, Hong Kong and Taiwan | | | Other locations | | | Sub-total | Other investments | | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | | | HK\$'million | HK\$'million |
| For the six months ended 30 June 2017 | | | | | | | | | | |
| Company and subsidiaries | 2,869 | — | 35 | 168 | 749 | 3,821 | 199 | — | 35 | 4,055 |
| Share of associates | 481 | 4,766 | 1,029 | — | 542 | 6,818 | 82 | 9,265 | 2,545 | 18,710 |
| Share of joint ventures | 5 | 210 | 607 | 546 | 154 | 1,522 | — | — | 1 | 1,523 |
| Total segment revenue | 3,355 | 4,976 | 1,671 | 714 | 1,445 | 12,161 | 281 | 9,265 | 2,581 | 24,288 |
| For the six months ended 30 June 2016 (restated) | | | | | | | | | | |
| Company and subsidiaries | 2,838 | — | 47 | 184 | 577 | 3,646 | 201 | — | — | 3,847 |
| Share of associates | 450 | 4,511 | 1,417 | — | 621 | 6,999 | 134 | 6,599 | 2,235 | 15,967 |
| Share of joint ventures | 8 | 181 | 527 | 537 | 145 | 1,398 | — | — | — | 1,398 |
| Total segment revenue | 3,296 | 4,692 | 1,991 | 721 | 1,343 | 12,043 | 335 | 6,599 | 2,235 | 21,212 |

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

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 2016 (restated) | | | | | | | | | | | |
|---|--|---------------------|--------------|--------------|-----------------|--------------|----------------------------|--------------------------------------|-------------------|--------------------|--------------|--------------|
| | Ports operation | | | | | | Bonded logistics operation | Port-related manufacturing operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | | Other investments | Corporate function | Sub-total | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | | |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| Operating profit/(loss) | 1,098 | 41 | 43 | 39 | 172 | 1,393 | 87 | — | (5) | (135) | (140) | 1,340 |
| Share of profits less losses of | | | | | | | | | | | | |
| – Associates | 93 | 856 | 48 | — | 295 | 1,292 | 3 | (121) | 93 | — | 93 | 1,267 |
| – Joint ventures | (2) | 54 | 107 | (16) | 13 | 156 | — | — | — | — | — | 156 |
| | 1,189 | 951 | 198 | 23 | 480 | 2,841 | 90 | (121) | 88 | (135) | (47) | 2,763 |
| Finance costs, net | (21) | — | — | (15) | (95) | (131) | (12) | — | — | (274) | (274) | (417) |
| Taxation | (241) | (85) | (7) | (6) | (5) | (344) | (15) | 11 | (6) | (2) | (8) | (356) |
| Profit/(loss) for the period | 927 | 866 | 191 | 2 | 380 | 2,366 | 63 | (110) | 82 | (411) | (329) | 1,990 |
| Non-controlling interests | (288) | — | — | (8) | (3) | (299) | (1) | — | — | — | — | (300) |
| Profit/(loss) attributable to equity holders of the Company | 639 | 866 | 191 | (6) | 377 | 2,067 | 62 | (110) | 82 | (411) | (329) | 1,690 |
| Other information: | | | | | | | | | | | | |
| Depreciation and amortisation | 424 | — | 1 | 57 | 187 | 669 | 47 | — | — | 5 | 5 | 721 |
| Capital expenditure | 291 | — | 1 | 39 | 217 | 548 | 43 | — | 3,081 | 291 | 3,372 | 3,963 |

7. SEGMENT INFORMATION (Continued)

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

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

| | As at 30 June 2017 | | | | | | | | | | |
|---|--------------------------------------|---------------------|--------------|--------------|-----------------|--------------|----------------------------|-------------------|--------------------|--------------|--------------|
| | Ports operation | | | | | | Bonded logistics operation | Other operations | | | Total |
| | Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | Other investments | Corporate function | Sub-total | |
| | Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| ASSETS | | | | | | | | | | | |
| Segment assets (excluding interests in associates and joint ventures) | 23,367 | 4,617 | 936 | 3,109 | 11,483 | 43,512 | 2,556 | 7,839 | 12,681 | 20,520 | 66,588 |
| Interests in associates | 2,854 | 18,910 | 4,327 | 2 | 6,484 | 32,577 | 395 | 4,074 | — | 4,074 | 37,046 |
| Interests in joint ventures | 3 | 956 | 2,548 | 2,719 | 3,061 | 9,287 | — | 38 | — | 38 | 9,325 |
| Total segment assets | 26,224 | 24,483 | 7,811 | 5,830 | 21,028 | 85,376 | 2,951 | 11,951 | 12,681 | 24,632 | 112,959 |
| Taxation recoverable | | | | | | | | | | | 2 |
| Deferred tax assets | | | | | | | | | | | 47 |
| Total assets | | | | | | | | | | | 113,008 |
| LIABILITIES | | | | | | | | | | | |
| Segment liabilities | (2,360) | — | (35) | (1,246) | (6,214) | (9,855) | (1,093) | (2,226) | (19,514) | (21,740) | (32,688) |
| Taxation payable | | | | | | | | | | | (209) |
| Deferred tax liabilities | | | | | | | | | | | (1,846) |
| Total liabilities | | | | | | | | | | | (34,743) |

7. SEGMENT INFORMATION (Continued)

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

| As at 31 December 2016 (restated) | | | | | | | | | | | | |
|---|---------------------|--------------|--------------|-----------------|--------------|----------------------------|--------------------------------------|-------------------|--------------------|--------------|--------------|--|
| Ports operation | | | | | | Bonded logistics operation | Port-related manufacturing operation | Other operations | | | Total | |
| Mainland China, Hong Kong and Taiwan | | | | Other locations | Sub-total | | | Other investments | Corporate function | Sub-total | | |
| Pearl River Delta | Yangtze River Delta | Bohai Rim | Others | | | | | | | | | |
| HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | |
| ASSETS | | | | | | | | | | | | |
| Segment assets (excluding interests in associates and joint ventures) | | | | | | | | | | | | |
| 21,647 | 3,311 | 751 | 3,084 | 11,156 | 39,949 | 2,499 | — | 7,394 | 1,290 | 8,684 | 51,132 | |
| Interests in associates | | | | | | | | | | | | |
| 2,823 | 18,103 | 4,187 | 1 | 5,934 | 31,048 | 388 | 7,864 | 3,720 | — | 3,720 | 43,020 | |
| Interests in joint ventures | | | | | | | | | | | | |
| 7 | 861 | 2,338 | 2,648 | 3,010 | 8,864 | — | — | 45 | — | 45 | 8,909 | |
| Total segment assets | | | | | | | | | | | | |
| 24,477 | 22,275 | 7,276 | 5,733 | 20,100 | 79,861 | 2,887 | 7,864 | 11,159 | 1,290 | 12,449 | 103,061 | |
| Taxation recoverable | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Deferred tax assets | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total assets | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | | |
| Segment liabilities | | | | | | | | | | | | |
| (2,454) | — | (42) | (1,273) | (6,367) | (10,136) | (1,153) | — | (3,086) | (12,742) | (15,828) | (27,117) | |
| Taxation payable | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Deferred tax liabilities | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total liabilities | | | | | | | | | | | | |
| | | | | | | | | | | | | |

8. OTHER INCOME AND OTHER GAINS, NET

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'million | HK\$'million |
| Dividend income from available-for-sale financial assets | 84 | 109 |
| Increase in fair value of investment properties | 87 | 47 |
| Gain on disposal of a subsidiary | 813 | — |
| Gain on disposal of property, plant and equipment | 6 | 1 |
| Net exchange gains/(losses) | 5 | (44) |
| Others | 31 | 46 |
| | 1,026 | 159 |

9. FINANCE INCOME AND COSTS

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2017 HK\$'million | 2016 HK\$'million |
| Finance income from: | | |
| Interest income from bank deposits | 30 | 25 |
| Others | 6 | 3 |
| | 36 | 28 |
| Interest expense on: | | |
| Bank loans | (203) | (120) |
| Listed notes payable | (278) | (278) |
| Unlisted notes payable | (63) | (25) |
| Loans from: | | |
| – non-controlling equity holders of subsidiaries | (11) | (9) |
| – a fellow subsidiary | (13) | — |
| – shareholders | (11) | (23) |
| Others | (20) | (14) |
| Total borrowing costs incurred | (599) | (469) |
| Less: amount capitalised on qualifying assets (Note) | 17 | 24 |
| Finance costs | (582) | (445) |
| Finance costs, net | (546) | (417) |

Note: Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 4.08% per annum (2016: 4.53% 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% (2016: 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. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'million | HK\$'million |
| Current taxation | | |
| Hong Kong profits tax | 1 | 1 |
| PRC corporate income tax | 141 | 221 |
| Overseas profits tax | 1 | — |
| Withholding income tax | 128 | 173 |
| Deferred taxation | | |
| Origination and reversal of temporary differences | 31 | (39) |
| | 302 | 356 |

11. DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2017

In June 2017, the Company completed the disposal of its entire interest in, and the entire amount of the shareholder's loan advanced by the Company to, Soares, a wholly-owned subsidiary of the Company, to a fellow subsidiary for a total cash consideration of HK\$8,739 million. The single predominant asset of Soares is its investment in 24.53% of the issued share capital of China International Marine Containers (Group) Co. Ltd., ("CIMC"), an associate of the Group immediately before the disposal.

| | HK\$'million |
|---|--------------|
| The amounts of assets and liabilities attributable to Soares on the date of disposal were as follows: | |
| Interest in an associate | 8,205 |
| Debtors, deposits and prepayments | 50 |
| Loans from immediate holding company | (1,689) |
| Deferred tax liabilities | (272) |
| Taxation payable | (5) |
| Net assets disposed of | 6,289 |
| Gain on disposal of Soares: | |
| Cash consideration | 8,739 |
| Net assets disposed of | (6,289) |
| Assignment of shareholder's loan | (1,689) |
| Cumulative exchange differences and investment revaluation reserve reclassified to profit or loss upon disposal of Soares | 57 |
| Costs directly attributable to the disposal | (5) |
| Gain on disposal | 813 |

The net cash inflow arising on disposal of Soares amounted to HK\$8,543 million which has been received by the Group during the current period and the remaining balance of the consideration amounted to HK\$196 million has been included in amounts due from fellow subsidiaries as set out in note 16.

12. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'million | HK\$'million |
| Profit for the period has been arrived at after charging: | | |
| Staff costs (including Directors' emoluments) | 719 | 743 |
| Depreciation of property, plant and equipment | 549 | 558 |
| Amortisation of intangible assets and land use rights | 161 | 163 |
| Operating lease rentals in respect of | | |
| – land and buildings | 108 | 121 |
| – plant and machinery | 39 | 12 |

13. DIVIDENDS

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'million | HK\$'million |
| Interim dividend of 22 HK cents (2016: 22 HK cents) per ordinary share | 698 | 575 |
| Special interim dividend of 135 HK cents (2016: nil) per ordinary share | 4,282 | — |
| | 4,980 | 575 |

At a meeting held on 31 August 2017, the Board of Directors proposed (i) an interim dividend of 22 HK cents per ordinary share and (ii) a special interim dividend of 135 HK cents per ordinary share, both of 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 and the special interim dividend (or part thereof) in cash in lieu of such allotment. These proposed dividends are not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

The amounts of interim dividend for 2017 and the special interim dividend were based on 3,172,077,487 (2016: 2,615,711,778) shares in issue as at 31 August 2017.

14. 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 | |
|---|--------------------------|---------------|
| | 2017 | 2016 |
| Basic | | |
| Profit attributable to equity holders of the Company (HK\$'million) | 3,148 | 1,690 |
| Weighted average number of ordinary shares in issue (Note (a)) | 3,128,867,827 | 3,102,288,692 |
| Basic earnings per share (HK cents) | 100.62 | 54.49 |
| Diluted | | |
| Profit attributable to equity holders of the Company (HK\$'million) | 3,148 | 1,690 |
| Weighted average number of ordinary shares in issue (Note (a)) | 3,128,867,827 | 3,102,288,692 |
| <i>Effect of dilutive potential ordinary shares:</i> | | |
| Adjustment for share options (Note (b)) | — | 1,013 |
| Weighted average number of ordinary shares for diluted earnings per share | 3,128,867,827 | 3,102,289,705 |
| Diluted earnings per share (HK cents) | 100.62 | 54.49 |

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 issued upon conversion of the Mandatory Convertible Securities ("MCS" and details set out in note 18) from the issue date as the MCS are mandatorily convertible instruments.

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

- (b) Adjustment represented the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options except for those with exercise price higher than the average market price of the Company's shares for the period ended 30 June 2016. Calculation to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) was based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. All outstanding share options had expired in 2016 and there was no outstanding share option in the current period.

15. GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND LAND USE RIGHTS

| | Goodwill | Intangible assets | Property, plant and equipment | Investment properties | Land use rights |
|--|--------------|----------------------|-------------------------------------|--------------------------|--------------------|
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| Six months ended 30 June 2017 | | | | | |
| Net book value as at 1 January 2017 | 2,791 | 5,407 | 18,459 | 7,455 | 7,265 |
| Exchange adjustments | 77 | 394 | 505 | 230 | 223 |
| Additions | — | 12 | 273 | 1 | 9 |
| Increase in fair value | — | — | — | 87 | — |
| Disposals | — | — | (22) | — | — |
| Depreciation and amortisation | — | (70) | (549) | — | (91) |
| Net book value as at 30 June 2017 | 2,868 | 5,743 | 18,666 | 7,773 | 7,406 |
| Six months ended 30 June 2016 | | | | | |
| Net book value as at 1 January 2016 | 2,973 | 5,660 | 19,570 | 287 | 7,545 |
| Exchange adjustments | (9) | 81 | (288) | (99) | (156) |
| Additions | — | 30 | 280 | — | 200 |
| Acquisition of assets through acquisition of a subsidiary | — | — | 95 | 3,698 | 194 |
| Increase in fair value | — | — | — | 47 | — |
| Disposals | — | — | (4) | — | — |
| Transfers | — | — | 111 | — | — |
| Depreciation and amortisation | — | (68) | (558) | — | (95) |
| Net book value as at 30 June 2016 | 2,964 | 5,703 | 19,206 | 3,933 | 7,688 |

16. DEBTORS, DEPOSITS AND PREPAYMENTS

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|---|--|-------------------------------------|
| Trade debtors, net (Note (a)) | 1,258 | 810 |
| Amounts due from fellow subsidiaries (Note (b)) | 203 | 6 |
| Amounts due from associates (Note (c)) | 337 | 383 |
| Amounts due from joint ventures (Note (d)) | 1 | 2 |
| Dividend receivables | 1,389 | 271 |
| Other debtors, deposits and prepayments | 885 | 824 |
| | 4,073 | 2,296 |

Notes:

- (a) Bill receivables of HK\$22 million (31 December 2016: HK\$10 million) are included in trade debtors as at 30 June 2017.

The Group has a credit policy of allowing an average credit period of 90 days (2016: 90 days) to its trade customers. The ageing analysis of the trade debtors, based on the invoice date, net of provision for impairment of trade debtors is as follows:

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|----------------|--|-------------------------------------|
| 0 - 90 days | 1,124 | 742 |
| 91 - 180 days | 84 | 47 |
| 181 - 365 days | 41 | 17 |
| Over 365 days | 9 | 4 |
| | 1,258 | 810 |

- (b) Included in the amounts is the consideration receivable of HK\$196 million for the disposal of Soares, which is unsecured, interest free and repayable at agreed term within twelve months from the end of the reporting period. The remaining balances are unsecured, interest free and repayable on demand. Further details of the disposal of Soares are set out in note 11.
- (c) The aggregate amounts of HK\$235 million (31 December 2016: HK\$245 million) are unsecured, repayable within twelve months from the end of the reporting period and interest-bearing at fixed rates ranging from 1% to 9% (31 December 2016: 1% to 9%) per annum. The remaining balances are unsecured, interest free and repayable on demand.
- (d) The amounts are unsecured, interest free and repayable on demand.

17. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|--------------------------|---------------|--------------------------|--------------|
| | Six months ended 30 June | | Six months ended 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | | | HK\$'million | HK\$'million |
| Issued and fully paid: | | | | |
| As at 1 January | 2,625,732,225 | 2,598,715,093 | 19,548 | 18,994 |
| Issue of shares on exercise of share options (Note (a)) | — | 70,000 | — | 2 |
| Issue of shares on conversion of MCS (note 18) | 503,135,602 | 1,010 | 15,219 | — |
| As at 30 June | 3,128,867,827 | 2,598,786,103 | 34,767 | 18,996 |

Notes:

- (a) During the period ended 30 June 2016, 70,000 shares were issued upon exercise of share options, with net proceeds of HK\$2 million.
- The weighted average share price at the time of exercise was HK\$23.61 per share. The related transaction costs had been deducted from the proceeds received.
- (b) During the period from 1 July 2017 to the date of approval of this condensed consolidated interim financial information, 43,209,660 ordinary shares (2016: 16,925,675 ordinary shares) were issued to satisfy the payment of the 2016 final dividend of HK\$927 million (2016: HK\$337 million).
- (c) All outstanding share options had expired in 2016. No share option was granted, exercised, lapsed or cancelled under the share option scheme during the six months ended 30 June 2017.

18. MANDATORY CONVERTIBLE SECURITIES

MCS were 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 entitled the holders to receive fixed coupons semiannually, before they were converted into ordinary shares of the Company, up to the mandatory conversion date, 13 June 2017, being the third anniversary following the date of issuance of the MCS. The MCS were not entitled to dividends declared and paid by the Company to its ordinary shareholders and did not carry any voting rights of the Company before its conversion.

All outstanding MCS as at 13 June 2017 has been converted to ordinary shares of the Company, while during the six months ended 30 June 2016, 1,010 units of MCS had been converted to ordinary shares of the Company.

Distribution amounted to HK\$304 million (2016: HK\$457 million) had been declared and paid to the holders of the MCS during the six months period ended 30 June 2017 before its conversion in the current period.

19. LOANS FROM SHAREHOLDERS

| | Loans from an intermediate holding company | | Loans from the ultimate holding company | | Total | |
|---|--|---------------------|---|---------------------|-----------------|---------------------|
| | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| The loans are repayable as follows: | | | | | | |
| Within 1 year | 119 | 63 | — | 336 | 119 | 399 |
| Between 1 and 2 years | 58 | 223 | — | — | 58 | 223 |
| Between 2 and 5 years | — | 56 | — | — | — | 56 |
| | 177 | 342 | — | 336 | 177 | 678 |
| Less: amounts due within one year included under current liabilities | (119) | (63) | — | (336) | (119) | (399) |
| Non-current portion | 58 | 279 | — | — | 58 | 279 |
| Interest rates per annum | 4.35% | 4.35% | N/A | 4.65% | | |

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.

20. OTHER FINANCIAL LIABILITIES

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|---|--|-------------------------------------|
| Bank loans | | |
| Unsecured short-term bank loans | | |
| – variable rate | 714 | 1,916 |
| – fixed rate | 1,181 | 648 |
| Unsecured long-term fixed rate bank loans | 86 | 112 |
| Long-term variable rate bank loans | | |
| – unsecured | 2,890 | 1,375 |
| – secured (Note (a)) | 4,199 | 4,209 |
| | 9,070 | 8,260 |
| Loans from non-controlling equity holders of subsidiaries (Note (b)) | 438 | 416 |
| Loans from a fellow subsidiary (Note (c)) | 1,533 | — |
| Notes payable (Note (d)) | | |
| – US\$200 million, 7.125% guaranteed listed notes maturing in 2018 | 1,558 | 1,546 |
| – US\$200 million, 3.5% guaranteed listed notes maturing in 2020 | 1,555 | 1,544 |
| – US\$500 million, 5% guaranteed listed notes maturing in 2022 | 3,868 | 3,839 |
| – US\$500 million, 4.75% guaranteed listed notes maturing in 2025 | 3,881 | 3,855 |
| – RMB1,500 million, 3.19% unlisted notes maturing in 2017 | 1,762 | 1,683 |
| – RMB250 million, 3.9% unlisted notes maturing in 2017 | — | 279 |
| – RMB300 million, 2.97% unlisted notes maturing in 2019 | 344 | 334 |
| – RMB2,500 million, 4.89% unlisted notes maturing in 2022 | 2,908 | — |
| | 15,876 | 13,080 |
| Total | 26,917 | 21,756 |
| Less: amounts due within one year included under current liabilities | (7,333) | (4,963) |
| Non-current portion | 19,584 | 16,793 |

20. OTHER FINANCIAL LIABILITIES (Continued)

Notes:

- (a) The entire shareholdings in two subsidiaries owned by the Company and its subsidiary as at 30 June 2017 and 31 December 2016 are pledged to various banks for bank facilities granted to the relevant subsidiaries.
- (b) The amounts of HK\$23 million (31 December 2016: HK\$44 million) are unsecured, interest-bearing at 9% (31 December 2016: 9%) per annum and repayable within twelve months from the end of the reporting period.

The amounts of HK\$415 million (31 December 2016: HK\$372 million) are unsecured, interest-bearing at 4.65% (31 December 2016: 4.65%) per annum and are not required to be repaid within twelve months from the end of reporting period.

- (c) The fellow subsidiary is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are unsecured, interest-bearing ranged from 3.83% to 4.35% per annum and repayable within twelve months from the end of reporting period.
- (d) Listed notes issued by subsidiaries of the Company of HK\$10,862 million (31 December 2016: HK\$10,784 million) are secured by corporate guarantees provided by the Company.

The effective interest rates of the notes payable are as follows:

| | 30 June 2017 | 31 December 2016 |
|--|-----------------|---------------------|
| Notes payable issued by the Company: | | |
| RMB1,500 million, 3.19% unlisted notes maturing in 2017 | 3.35% | 3.35% |
| RMB2,500 million, 4.89% unlisted notes maturing in 2022 | 4.94% | N/A |
| Notes payable issued by subsidiaries of the Company: | | |
| US\$200 million, 7.125% guaranteed listed notes maturing in 2018 | 7.36% | 7.36% |
| US\$200 million, 3.5% guaranteed listed notes maturing in 2020 | 3.64% | 3.64% |
| US\$500 million, 5% guaranteed listed notes maturing in 2022 | 5.22% | 5.22% |
| US\$500 million, 4.75% guaranteed listed notes maturing in 2025 | 4.83% | 4.83% |
| RMB250 million, 3.9% unlisted notes maturing in 2017 | N/A | 3.91% |
| RMB300 million, 2.97% unlisted notes maturing in 2019 | 3.57% | 3.57% |

- (e) As at 30 June 2017, the Group has undrawn bank loan facilities and other debt financing instruments amounting to HK\$19,251 million (31 December 2016: HK\$20,494 million), of which HK\$15,230 million (31 December 2016: HK\$17,183 million) and HK\$4,021 million (31 December 2016: HK\$3,311 million) are committed and uncommitted credit facilities respectively.

20. OTHER FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

(f) The other financial liabilities as at 30 June 2017 and 31 December 2016 are repayable as follows:

| | Bank loans | | Listed notes payable | | Unlisted notes payable | | Loans from non-controlling equity holders of subsidiaries | | Loans from a fellow subsidiary | | Total | |
|-----------------------|--------------|------------------|----------------------|------------------|------------------------|------------------|---|------------------|--------------------------------|------------------|--------------|------------------|
| | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| Within 1 year | 2,457 | 2,957 | 1,558 | — | 1,762 | 1,962 | 23 | 44 | 1,533 | — | 7,333 | 4,963 |
| Between 1 and 2 years | 1,782 | 516 | — | 1,546 | — | — | — | — | — | — | 1,782 | 2,062 |
| Between 2 and 5 years | 2,352 | 2,455 | 5,423 | 1,544 | 3,252 | 334 | — | — | — | — | 11,027 | 4,333 |
| Within 5 years | 6,591 | 5,928 | 6,981 | 3,090 | 5,014 | 2,296 | 23 | 44 | 1,533 | — | 20,142 | 11,358 |
| More than 5 years | 2,479 | 2,332 | 3,881 | 7,694 | — | — | 415 | 372 | — | — | 6,775 | 10,398 |
| | 9,070 | 8,260 | 10,862 | 10,784 | 5,014 | 2,296 | 438 | 416 | 1,533 | — | 26,917 | 21,756 |

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

| | 30 June 2017 | 31 December 2016 |
|----------------------|----------------|------------------|
| Renminbi | 1.20% to 4.90% | 1.20% to 4.90% |
| Euro | 3.72% to 5.78% | 3.72% to 5.78% |
| United States dollar | 3.41% to 4.15% | 3.35% to 3.92% |

21. CREDITORS AND ACCRUALS

| | 30 June 2017 | 31 December 2016 |
|--|--------------|------------------|
| | HK\$'million | HK\$'million |
| Trade creditors (Note (a)) | 327 | 275 |
| Amounts due to fellow subsidiaries (Note (b)) | 209 | 220 |
| Consideration payable for acquisition of a subsidiary | — | 1,131 |
| Dividend payable to ordinary shareholders of the Company | 1,707 | — |
| Other payables and accruals | 2,193 | 1,871 |
| | 4,436 | 3,497 |

21. CREDITORS AND ACCRUALS (Continued)

Notes:

- (a) The ageing analysis of the trade creditors, based on invoice date, is as follows:

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|----------------|---------------------------------|-------------------------------------|
| 0 - 90 days | 220 | 199 |
| 91 - 180 days | 16 | 9 |
| 181 - 365 days | 21 | 7 |
| Over 365 days | 70 | 60 |
| | 327 | 275 |

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

22. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Capital commitments for property, plant and equipment, intangible assets and land use rights that are contracted but not provided for

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|---|---------------------------------|-------------------------------------|
| Group: | | |
| Property, plant and equipment and intangible assets | 1,002 | 1,150 |
| Land use right | 381 | 728 |
| | 1,383 | 1,878 |
| Joint ventures: | | |
| Property, plant and equipment | 424 | 407 |
| | 1,807 | 2,285 |

- (b) Capital commitments for investments that are contracted but not provided for

| | 30 June 2017 HK\$'million | 31 December 2016 HK\$'million |
|--|---------------------------------|-------------------------------------|
| Group: | | |
| – Port projects | 581 | 579 |
| – Investment in an available-for-sale investment | 4 | 4 |
| – Investment in associates | 65 | 63 |
| – Acquisition of a subsidiary (note 24(a)) | 6,118 | — |
| | 6,768 | 646 |

22. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Contingent liabilities

As at 30 June 2017, 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\$139 million (31 December 2016: HK\$148 million) arising from the above loan facilities and other obligations.

In addition to above, the Group also provides guarantees for banking facilities granted to and other obligations borne by associates of the Group. The total amount guaranteed by the Group is HK\$390 million (31 December 2016: HK\$410 million) and the aggregate amount utilised by the relevant associates amounted to HK\$92 million (31 December 2016: HK\$100 million) as at 30 June 2017.

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.

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 2017 are as follows:

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

| | Note | Six months ended 30 June | |
|--|-------|--------------------------|----------------------|
| | | 2017 HK\$'million | 2016 HK\$'million |
| Rental income from fellow subsidiaries | (i) | 5 | 2 |
| Rental expenses paid to | (i) | | |
| – fellow subsidiaries | | 54 | 55 |
| – associates | | 42 | 43 |
| Service income from | (ii) | | |
| – fellow subsidiaries | | 40 | 35 |
| – joint ventures | | 44 | 55 |
| – associates | | 34 | 30 |
| Service fee paid to | (iii) | | |
| – fellow subsidiaries | | 25 | 16 |
| – joint ventures | | 7 | 14 |
| Interest income from | | | |
| – associates | (iv) | 6 | — |
| – a fellow subsidiary | (v) | 2 | — |
| Interest expenses and upfront fees paid to | (vi) | | |
| – the ultimate holding company | | 5 | 15 |
| – an intermediate holding company | | 6 | 8 |
| – a fellow subsidiary | | 13 | — |

23. MATERIAL RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) Balances and transactions with associates and joint ventures of the Group and 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 and residential units 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 cargoes 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 income was charged at interest rates as specified in note 16(c) to the condensed consolidated interim financial information on the outstanding amounts due from associates of the Group.
- (v) As at 30 June 2017, the Group placed deposits of HK\$475 million (31 December 2016: Nil) with China Merchants Group Finance Co., Ltd., a subsidiary of CMG which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are included in cash and bank balances.

Interest income was charged at interest rates ranged from 1.50% to 1.76%.

- (vi) Interest expenses were charged at interest rates as specified in notes 19 and 20 to the condensed consolidated interim financial information on the outstanding amounts due to the ultimate and intermediate holding companies and a fellow subsidiary.
- (vii) During the period ended 30 June 2017, the Company disposed of its entire interest in Soares, a wholly-owned subsidiary of the Company, to a subsidiary of CMG for a cash consideration of HK\$8,739 million. Further details of the disposal of Soares are set out in note 11.
- (viii) During the period ended 30 June 2016, the Group completed the acquisition of 100% equity interest in Shenzhen Jinyu Rongtai Investment Development Company Limited for an aggregate cash consideration of RMB2,047 million (equivalent to HK\$2,456 million) from two subsidiaries of CMG.
- (iv) As at 30 June 2017, the Group placed deposits of HK\$1,847 million (31 December 2016: HK\$982 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the period, interest income from CMB amounted to HK\$10 million (2016: HK\$7 million).

As at 30 June 2017, the Group borrowed loans of HK\$58 million (31 December 2016: Nil) from CMB.

During the period, interest expenses and upfront fees paid and payable to CMB amounted to HK\$4 million (2016: Nil).

The balances with entities within CMG Group as at 30 June 2017 are disclosed in notes 16, 19 and 21 to this condensed consolidated interim financial information.

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in the Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC Government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

23. MATERIAL RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Balance and transaction with non-controlling equity holders of subsidiaries

| | Six months ended 30 June | |
|------------------------------|--------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'million | HK\$'million |
| Interest expense paid (Note) | 11 | 9 |

Note: Interest expense was charged at interest rates as specified in note 20(b) to the condensed consolidated interim financial information on the outstanding loans from non-controlling equity holders of subsidiaries.

The balances with non-controlling equity holders of subsidiaries as at 30 June 2017 and 31 December 2016 are disclosed in note 20 to the condensed consolidated interim financial information.

(d) Key management compensation

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'million | HK\$'million |
| Salaries and other short-term employee benefits | 11 | 12 |

24. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary for port operation in Shantou

On 10 April 2017, a wholly-owned subsidiary of the Company entered into a subscription agreement with the State-owned Assets Supervision and Administration Commission of the Shantou Municipal Government and Shantou Ports Group Corp Co., Ltd. (“SPG”), a company established in the PRC with limited liability. Pursuant to the subscription agreement, SPG agreed to issue, and the Group agreed to subscribe, for the equity interest to be issued by SPG for a total consideration of RMB5,432 million (equivalent to approximately HK\$6,118 million), representing 60% of the then equity interest in SPG following the completion of the subscription.

The transaction has been completed on 9 August 2017 and since then, the Group obtained the majority voting power in the board of directors of SPG, by which the relevant activities that significantly affect the return of SPG is determined. SPG is therefore accounted for as a subsidiary of the Company. The directors of the Company are in the process of assessing the fair value of assets and liabilities of SPG at the completion date and the relevant financial impact to the Group.

(b) Acquisition of a subsidiary in relation to the development, management and operation of the port of Hambantota in Sri Lanka (the “Hambantota Port”)

On 29 July 2017, the Company entered into a concession agreement (the “Concession Agreement”) with the Sri Lanka Ports Authority (“SLPA”), a public corporation constituted under the Sri Lanka Ports Authority Act, No. 51 of 1979, the Government of the Democratic Socialist Republic of Sri Lanka (“GOSL”), Hambantota International Port Group (Private) Limited (“HIPG”), a private limited company incorporated in Sri Lanka, and Hambantota International Port Services Company (Private) Limited (“HIPS”), a private limited company incorporated in Sri Lanka, in relation to the development, management and operation of the Hambantota Port. Both HIPG and HIPS are wholly-owned subsidiaries of SLPA as at the date of the Concession Agreement. Pursuant to the Concession Agreement, the Company agreed to acquire and SLPA agreed to sell 85% of the issued share capital of HIPG for a consideration of approximately US\$974 million (equivalent to approximately HK\$7,595 million) and HIPG agreed to acquire and SLPA agreed to sell 58% of the total issued share capital of HIPS. The Company also agreed to deposit approximately US\$146 million (equivalent to approximately HK\$1,139 million) into a bank account in the name of the Company in Sri Lanka and will be utilised for Hambantota port and marine-related activities, within one year, as may be agreed with GOSL and the Company shall be entitled to repatriate any amounts in the bank account at the expiration of such one year period if no agreement has been reached with GOSL for the use of such funds.

Up to the date this condensed consolidated interim financial information was authorised for issuance, this transaction has not yet been completed.

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