招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

- Throughput of containers handled reached 54.56 million TEUs, up 1.4% (2018: 53.81 million TEUs)
- Throughput of bulk cargos handled reached 223 million tonnes, down 10.7% (2018: 250 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$6,529 million, up 19.8% (2018: HK$5,448 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$2,045 million, down 5.8% (2018: HK$2,171 million)
  - √ HK$2,651 million, down 4.9%, from ports operation (2018: HK$2,787 million)
- Basic earnings per share amounted to 196.07 HK cents, up 18.0% (2018: 166.22 HK cents)
- Interim dividend of 22 HK cents per share (2018: 22 HK cents per share)

2019 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
	Note	**2019**	**2018**
		HK$'million	*HK$'million*
Revenue	2	4,464	5,560
Cost of sales		(2,507)	(3,032)
Gross profit		1,957	2,528
Other income and other gains, net	4	6,373	4,062
Administrative expenses		(635)	(777)
Finance income	5	128	135
Finance costs	5	(1,017)	(872)
Finance costs, net	5	(889)	(737)
Share of profits less losses of			
Associates		1,824	1,644
Joint ventures		269	251
		2,093	1,895
Profit before taxation		8,899	6,971
Taxation	6	(2,109)	(1,058)
Profit for the period	7	6,790	5,913
Attributable to:			
Equity holders of the Company		6,529	5,448
Non-controlling interests		261	465
Profit for the period		6,790	5,913
Dividends	8	752	731
Earnings per share for profit attributable to equity holders of the Company	9		
Basic and diluted (HK cents)		196.07	166.22

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	2019	**2018**
	HK$'million	*HK$'million*
Profit for the period	6,790	5,913
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(1,562)	(904)
Release of reserves upon disposal of subsidiaries	—	(98)
Items that will not be reclassified subsequently to profit or loss:		
Increase in fair value of equity instruments at fair value through other comprehensive income, net of deferred taxation	—	114
Share of reserves of associates	44	(30)
Total other comprehensive expense for the period, net of tax	(1,518)	(918)
Total comprehensive income for the period	5,272	4,995
Total comprehensive income attributable to:		
Equity holders of the Company	5,162	4,512
Non-controlling interests	110	483
	5,272	4,995

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	**Unaudited 30 June 2019** *HK$'million*	**Audited 31 December 2018** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		7,200	7,922
Intangible assets		10,727	11,132
Property, plant and equipment		23,271	29,212
Right-of-use assets		16,124	—
Land use rights		—	10,973
Investment properties		8,388	8,332
Interests in associates		48,849	45,821
Interests in joint ventures		9,856	11,959
Other financial assets		3,896	3,399
Other non-current assets		1,208	328
Deferred tax assets		59	60
		129,578	129,138
Current assets			
Inventories		130	108
Other financial assets		890	—
Debtors, deposits and prepayments	10	10,577	3,377
Taxation recoverable		9	7
Cash and bank balances		6,771	7,175
		18,377	10,667
Non-current assets held for sale		131	132
		18,508	10,799
Total assets		148,086	139,937

	Note	Unaudited 30 June 2019 *HK$'million*	Audited 31 December 2018 *HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		39,070	39,070
Reserves		38,355	33,820
Proposed dividend	8	752	2,431
		78,177	75,321
Non-controlling interests		12,739	12,683
Total equity		90,916	88,004
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		32,075	33,622
Lease liabilities		918	—
Other non-current liabilities		7,095	5,806
Deferred tax liabilities		3,835	3,354
		43,923	42,782
Current liabilities			
Creditors and accruals	11	3,558	3,684
Dividend payable to ordinary shareholders of the Company		2,431	—
Bank and other borrowings		5,856	5,234
Lease liabilities		76	—
Taxation payable		1,326	233
		13,247	9,151
Total liabilities		57,170	51,933
Total equity and liabilities		148,086	139,937
Net current assets		5,261	1,648
Total assets less current liabilities		134,839	130,786

NOTES:

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2019 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 The Stock Exchange of Hong Kong Limited (the "**HKSE**") and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2018 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 2018 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.

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

Impact and changes in accounting policies on application of HKFRS 16 "Leases"

The Group has adopted HKFRS 16 from 1 January 2019, which superseded HKAS 17 and the related interpretations.

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group reclassified land use rights of HK$10,973 million, and property, plant and equipment of HK$6,296 million under HKAS 17 previously under finance leases, to right-of-use assets at 1 January 2019. The Group recognised additional lease liabilities of HK$947 million and right-of-use assets of HK$866 million at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.29%.

2 Revenue

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

	Six months ended 30 June	
	2019	**2018**
	HK$'million	*HK$'million*
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	4,145	5,275
Warehousing services income, representing temporary storage of cargos and containers, custom clearance services and the auxiliary services	230	221
Revenue from contracts with customers	4,375	5,496
Gross rental income from investment properties	89	64
	4,464	5,560

3 Segment information

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

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

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures.

The Group's reportable segments of the ports operation are as follows:

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta
- Yangtze River Delta
- Bohai Rim
- Others

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

(ii) Bonded logistics operation includes logistics park operation, ports transportation and airport cargo handling operated by the Group and its associates.

(iii) 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.

Each of the segments under ports operation includes 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.

During the six months ended 30 June 2019, one of the customers has accounted for over 10% of the Group's total revenue amounting to HK$631 million (2018: HK$719 million).

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**
	2019	**2018**	**2019**	**2018**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	2,649	3,812	79,024	82,562
Other locations	1,815	1,748	46,599	43,117
	4,464	5,560	125,623	125,679

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

	For the six months ended 30 June 2019										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue	1,898	–	33	399	1,815	4,145	230	89	–	89	4,464
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	5,542	522	589	484	461	7,598	96	141	(140)	1	7,695
Share of profits less losses of											
– Associates	62	1,351	69	9	209	1,700	6	118	–	118	1,824
– Joint ventures	–	72	117	5	75	269	1	(1)	–	(1)	269
	5,604	1,945	775	498	745	9,567	103	258	(140)	118	9,788
Finance costs, net	3	–	–	2	(206)	(201)	(16)	(20)	(652)	(672)	(889)
Taxation	(1,734)	(117)	(134)	(38)	(34)	(2,057)	(20)	(32)	–	(32)	(2,109)
Profit/(loss) for the period	3,873	1,828	641	462	505	7,309	67	206	(792)	(586)	6,790
Non-controlling interests	(99)	–	–	(16)	(127)	(242)	(19)	–	–	–	(261)
Profit/(loss) attributable to equity holders of the Company	3,774	1,828	641	446	378	7,067	48	206	(792)	(586)	6,529
Other information:											
Depreciation and amortisation	325	–	1	149	451	926	47	1	11	12	985
Capital expenditure	177	–	–	293	488	958	270	7	1	8	1,236

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

	For the six months ended 30 June 2018										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Revenue	3,035	—	40	452	1,748	5,275	221	64	—	64	5,560
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	5,571	(557)	39	58	635	5,746	78	216	(227)	(11)	5,813
Share of profits less losses of											
– Associates	64	1,108	49	8	298	1,527	12	105	—	105	1,644
– Joint ventures	—	75	138	(28)	65	250	—	1	—	1	251
	5,635	626	226	38	998	7,523	90	322	(227)	95	7,708
Finance costs, net	(6)	—	—	(3)	(197)	(206)	(19)	(23)	(489)	(512)	(737)
Taxation	(876)	(2)	(3)	(18)	(36)	(935)	(16)	(107)	—	(107)	(1,058)
Profit/(loss) for the period	4,753	624	223	17	765	6,382	55	192	(716)	(524)	5,913
Non-controlling interests	(291)	—	—	(33)	(135)	(459)	(6)	—	—	—	(465)
Profit/(loss) attributable to equity holders of the Company	4,462	624	223	(16)	630	5,923	49	192	(716)	(524)	5,448
Other information:											
Depreciation and amortisation	428	—	1	151	423	1,003	49	—	10	10	1,062
Capital expenditure	189	—	—	379	472	1,040	155	1	4	5	1,200

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 2019										
	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)	23,425	3,032	1,536	10,578	36,397	74,968	3,449	8,410	2,355	10,765	89,182
Interests in associates	2,462	26,312	3,693	2,813	6,967	42,247	374	6,228	—	6,228	48,849
Interests in joint ventures	4	1,001	2,950	333	5,535	9,823	5	28	—	28	9,856
Non-current assets held for sale	—	—	—	131	—	131	—	—	—	—	131
Total segment assets	25,891	30,345	8,179	13,855	48,899	127,169	3,828	14,666	2,355	17,021	148,018
Taxation recoverable											9
Deferred tax assets											59
Total assets											148,086
LIABILITIES											
Segment liabilities	(2,231)	—	(87)	(2,007)	(12,943)	(17,268)	(948)	(1,075)	(32,718)	(33,793)	(52,009)
Taxation payable											(1,326)
Deferred tax liabilities											(3,835)
Total liabilities											(57,170)

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

	As at 31 December 2018										
	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)	16,921	1,611	916	10,686	36,855	66,989	2,766	8,151	4,052	12,203	81,958
Interests in associates	2,545	25,775	3,657	269	6,879	39,125	384	6,312	–	6,312	45,821
Interests in joint ventures	3	931	2,844	2,631	5,516	11,925	5	29	–	29	11,959
Non-current assets held for sale	–	–	–	132	–	132	–	–	–	–	132
Total segment assets	19,469	28,317	7,417	13,718	49,250	118,171	3,155	14,492	4,052	18,544	139,870
Taxation recoverable											7
Deferred tax assets											60
Total assets											139,937
LIABILITIES											
Segment liabilities	(1,203)	–	(37)	(2,172)	(12,372)	(15,784)	(921)	(1,169)	(30,472)	(31,641)	(48,346)
Taxation payable											(233)
Deferred tax liabilities											(3,354)
Total liabilities											(51,933)

4 Other income and other gains, net

	Six months ended 30 June	
	2019	**2018**
	HK$'million	*HK$'million*
Dividend income from equity investments	123	38
Increase in fair value of investment properties	91	217
Gain on disposal of subsidiaries	—	4,400
Gain on disposal of land parcels at Qianhai (Note)	4,820	—
Gain on disposal of property, plant and equipment	1	13
Net exchange gains/(losses)	22	(114)
Gain on deemed disposal of interest in a joint venture	480	—
Increase/(decrease) in fair value of financial assets at fair value through profit or loss ("FVTPL")	992	(518)
Increase in fair value of financial liabilities at FVTPL	(223)	(64)
Others	67	90
	6,373	4,062

Note:

During the current period, the Group and certain members of the China Merchants Group Limited disposed of certain land parcels at Qianhai, Shenzhen, the People's Republic of China (the "**PRC**") to Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission, an authority established by the government of the PRC. The consideration for the disposal of the certain land parcels (excluding the exchange land for Dachan Bay Port Phase II) at Qianhai held by the Group is RMB5,693 million (equivalent to approximately HK$6,472 million), resulting in a gain on the disposal of HK$4,820 million.

5 Finance income and costs

	Six months ended 30 June	
	2019	**2018**
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	70	104
Interest income from advance to a joint venture	36	—
Interest income from amount due from a related party	21	29
Others	1	2
	128	135
Interest expense on:		
Bank loans	(303)	(364)
Listed notes payable	(563)	(336)
Unlisted notes payable	(73)	(100)
Loans from:		
– a non-controlling equity holder of a subsidiary	(14)	(11)
– a fellow subsidiary	(15)	(35)
– an intermediate holding company	—	(4)
– an associate	(8)	(14)
Others	(59)	(35)
Total borrowing costs incurred	(1,035)	(899)
Less: amount capitalised on qualifying assets (Note)	18	27
Finance costs	(1,017)	(872)
Finance costs, net	(889)	(737)

Note:

Apart from the interest expense incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 6.03% per annum (2018: 8.91% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of the PRC ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

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

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

	Six months ended 30 June	
	2019	**2018**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong profits tax	3	2
PRC corporate income tax (Note (a))	1,419	841
Overseas profits tax	9	14
Withholding income tax	98	101
Deferred taxation		
Origination and reversal of temporary differences (Note (b))	580	100
	2,109	1,058

Notes:

(a) Included in the amount for the current interim period is PRC corporate income tax of HK$1,212 million levied on the Group for the gain on disposal of land parcels at Qianhai. Further details are set out in note 4. Included in the amount for the six months ended 30 June 2018 was PRC corporate income tax of HK$630 million levied on the Group for the gain on disposal of subsidiaries during the last interim period.

(b) Included in the amount for the current interim period is the withholding income tax of HK$327 million arising from the unremitted earnings of the subsidiaries incurring the gain on disposal of land parcels at Qianhai.

7 Profit for the period

	Six months ended 30 June	
	2019	**2018**
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	841	1,012
Depreciation of property, plant and equipment	602	795
Depreciation of right-of-use assets	245	N/A
Amortisation of intangible assets and land use rights	138	267
Lease expenses in respect of short-term leases	52	N/A
Operating lease rentals in respect of		
– land and buildings	N/A	112
– plant and machinery	N/A	35

8 Dividends

	Six months ended 30 June	
	2019	**2018**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2018: 22 HK cents) per ordinary share	752	731

At a meeting held on 30 August 2019, the Board of Directors proposed an interim dividend of 22 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

The amount of interim dividend for 2019 was based on 3,418,412,538 (2018: 3,324,625,825) shares in issue as at 30 August 2019.

9 Earnings per share

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

	Six months ended 30 June	
	2019	**2018**
Basic and diluted		
Profit attributable to equity holders of the Company (HK$'million)	6,529	5,448
Weighted average number of ordinary shares in issue (Note)	3,329,849,550	3,277,619,310
Basic and diluted earnings per share (HK cents)	196.07	166.22

Note:

The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per share for the six months ended 30 June 2019 and 2018 included the ordinary shares of the Company in issue during the period.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,236 million (31 December 2018: HK$1,011 million).

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2018: 90 days) to its trade customers. The ageing analysis of the trade debtors, based on the invoice date, net of allowance for credit losses of trade debtors, is as follows:

	30 June 2019 *HK$'million*	**31 December 2018** *HK$'million*
0 - 90 days	1,081	938
91 - 180 days	124	48
181 - 365 days	21	15
Over 365 days	10	10
	1,236	1,011

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$319 million (31 December 2018: HK$396 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2019 *HK$'million*	**31 December 2018** *HK$'million*
0 - 90 days	256	296
91 - 180 days	6	19
181 - 365 days	7	10
Over 365 days	50	71
	319	396

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$752 million for the six months ended 30 June 2019 (representing a dividend payout of 11.5%) by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend (or part thereof) in cash in lieu of such allotment (2018: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 15 November 2019 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 3 October 2019 (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 10 October 2019. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 15 November 2019.

CLOSURE OF REGISTER

The Register of Members will be closed from 25 September 2019 to 3 October 2019 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 24 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

During the first half of 2019, the global economy showed a weaker growth momentum and was faced with subdued prospects and a number of downside risks. The performance of developed economies was better than expected, while the growth of emerging and developing economies was constrained by weak investment with risks tilted to the downside. Currently, the international multilateral trade system is confronted by challenges. Trade protectionism has cast additional uncertainties over the outlook of global economy, and tension from the trade war has disrupted the global supply chain to a certain extent. To address intensifying global risks, the US Federal Reserve has suspended interest rate hike and signalled an interest rate cut within this year, and European Central Bank and Bank of Japan also shifted towards adopting easing policies. The global technology supply chains were threatened by protectionism and Brexit-related uncertainties continued. Intensified geopolitical tensions have affected energy prices. As a result, in developed economies and emerging market economies, demand for investment and consumer durables remained sluggish, and international trade that focused on machinery and consumer durables remained weak. According to the statistics set out in the "World Economic Outlook" update report published by the International Monetary Fund ("**IMF**") in July 2019, the global economic growth rate of 2019 was expected to be 3.2%, down by 0.4 percentage point as compared to that in 2018, among which, developed economies, as well as emerging markets and developing economies, to grow at 1.9% and 4.1%, down by 0.3 and 0.4 percentage point as compared to those of 2018 respectively. Total global trade volume (including goods and services) in 2019 was predicted to grow by 2.5%, representing a decrease of 1.2 percentage points as compared to that of 2018.

During the first half of 2019, facing complicated internal and external economic and trade environment, China has adopted "countercyclical" adjustment policies, such as proactive fiscal policy and prudent monetary policy. Through supply-side structural reform and the implementation of the "Six Stables" policies, including to stabilise foreign trade and to stabilise foreign investment, the overall Chinese economy operated steadily with quality development of foreign trade progressed in an orderly manner. During the first half of the year, the Gross Domestic Product increased by 6.3% year-on-year. According to the statistics published by the General Administration of Customs of China, China's total foreign trade of import and export value amounted to US$2.16 trillion during the first half of 2019, representing a year-on-year decrease of 2.0%, among which the export value was US$1.17 trillion, representing an increase of 0.1% year-on-year; while the import value totalled US$0.99 trillion, representing a decrease of 4.3% year-on-year. The growth rates of China's import and export with countries along the Belt and Road as well as emerging economies in Latin America and Africa were higher than the overall growth rate, which has become an important driver for the development of China's foreign trade.

Affected by the deceleration of global economy as well as trade war, the growth of global ports throughput slowed down and the growth of business volume of ports in China also declined during the first half of 2019. According to the data published by the Ministry of Transportation of China, the container throughput handled by Chinese ports totalled 127 million TEUs during the first half of 2019, representing an increase of 5.1% year-on-year, of which, 113 million TEUs were handled by coastal ports, representing a year-on-year increase of 4.4%.

During the first half of 2019, the Group's ports handled a total container throughput of 54.56 million TEUs, up by 1.4% as compared with the corresponding period last year, and bulk cargo volume of 223 million tonnes, down by 10.7% as compared with the corresponding period last year. As of 30 June 2019, the Group's revenue amounted to HK$4,464 million, representing a decrease of 19.7% over the corresponding period last year. Profit attributable to equity holders of the Company amounted to HK$6,529 million, representing an increase of 19.8% over the corresponding period last year.

Business review

Ports operation

In the first half of 2019, the Group's ports handled a total container throughput of 54.56 million TEUs, up by 1.4% year-on-year, which was mainly benefitted from the growth in container volume of the Group's overseas ports and ports in Yangtze River Delta region, China. Among which, the Group's ports in Mainland China contributed a container throughput of 40.52 million TEUs, indicating an increase of 1.3% year-on-year. The Group's operations in Hong Kong and Taiwan contributed an aggregate container throughput of 3.55 million TEUs, representing a decrease of 4.7% as compared with the same period last year. A total container throughput handled by the Group's overseas ports grew by 4.0% year-on-year to 10.49 million TEUs. Bulk cargo volume handled by the Group's ports decreased by 10.7% year-on-year to 223 million tonnes, within which the Group's ports in Mainland China handled a total bulk cargo volume of 220 million tonnes, representing a decrease of 11.2% year-on-year.

Pearl River Delta region

The Group's terminals in West Shenzhen Port Zone handled a container throughput of 5.14 million TEUs and a bulk cargo volume of 3.89 million tonnes, down by 7.2% and 47.7% year-on-year respectively, because the Group completed the disposal of the entire equity interest in China Merchants Port Group Co., Ltd. (formerly known as "Shenzhen Chiwan Wharf Holdings Limited", "**Shenzhen Chiwan**") in June 2018. Guangdong Yide Port Limited handled a container throughput of 0.13 million TEUs and a bulk cargo volume of 0.99 million tonnes, up by 33.7% and 60.4% year-on-year respectively. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 0.54 million TEUs and a bulk cargo volume of 1.54 million tonnes, down by 18.2% and up by 26.6% year-on-year respectively. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 2.73 million TEUs, down by 5.8% year-on-year, which outperformed the overall market of Hong Kong.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 21.54 million TEUs, up by 5.0% year-on-year, thanks to the faster ramping of Yangshan Phase IV year-on-year. Bulk cargo volume handled declined by 18.5% year-on-year to 61.75 million tonnes, which was mainly affected by the strategic adjustments of its business structure. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.64 million TEUs, representing a decrease of 4.3% year-on-year.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a container throughput of 5.07 million TEUs, down by 7.9% year-on-year, which was mainly attributed to the decrease in the business volume of domestic containers as a result of the adjustment on its business structure. It also handled a bulk cargo volume of 63.04 million tonnes, representing an increase of 1.9% year-on-year. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 3.79 million TEUs, representing an increase of 11.6% year-on-year, driven by the growth of domestic containers. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 7.64 million tonnes, representing an increase of 7.3% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 28.16 million tonnes, indicating a decrease of 4.6% year-on-year, as the import volume of iron ore, the major cargo type, declined, because a dam owned by Vale S.A. in Brazil, the world's largest iron ore exporter, collapsed at the beginning of the year, leading to the suspension of operation in the mine. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 1.38 million TEUs, representing an increase of 4.1% year-on-year.

South-East region of Mainland China

Zhangzhou China Merchants Port Co., Ltd., located in Xiamen Bay Economic Zone, handled a container throughput of 0.19 million TEUs, increased by 1.1% year-on-year, while its bulk cargo volume handled decreased by 42.4% year-on-year to 4.57 million tonnes, which was mainly due to the significant decrease in the production volume of sandstone, a cargo type with the largest proportion of throughput, affected by the environmental regulatory measures in the hinterland. Xia Men Bay China Merchants Terminals Co., Ltd., which officially commenced operation in May 2019, handled a bulk cargo volume of 0.08 million tonnes. Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.59 million TEUs, down by 2.9% year-on-year; and a bulk cargo volume of 3.92 million tonnes, down by 12.5% year-on-year, which was mainly due to the declining demand for coal, a major cargo type, from the hinterland.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.52 million TEUs, up by 13.4% year-on-year, mainly attributable to the successful expansion of services from new shipping routes and container trains of sea-rail intermodal transport. It also handled a bulk cargo volume of 44.31 million tonnes, down by 3.8% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung handled a total container throughput of 0.82 million TEUs, representing a decrease of 0.7% year-on-year.

Overseas operation

Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka handled a container throughput of 1.37 million TEUs, up by 5.7% year-on-year. The wheeled and bulk cargo business in Hambantota International Port Group (Private) Limited ("**Hambantota Port**") progressed well with a bulk cargo volume handled of 0.46 million tonnes, indicating a significant increase as compared to 0.08 million tonnes for the same period of last year. Container throughput handled by Lomé Container Terminal S.A. in Togo increased by 9.3% year-on-year to 0.54 million TEUs. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.24 million TEUs, representing a decrease of 8.4% year-on-year, which was mainly due to the port congestion resulted from the ongoing repair work of the port access road. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.45 million TEUs, up by 11.1% year-on-year, and a bulk cargo volume of 2.87 million tonnes, up by 23.4% year-on-year, mainly attributed to the increasing import demand for relevant raw materials driven by the small-scale infrastructure projects in Ethiopia. Terminal Link SAS handled a container throughput of 6.84 million TEUs, up by 1.7% year-on-year. The container throughput and bulk cargo volume handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey were 0.62 million TEUs and 0.06 million tonnes, representing a decrease of 5.7% and an increase of 3.7% year-on-year respectively. TCP Participações S.A. in Brazil handled a container throughput of 0.44 million TEUs, up by 70.0% year-on-year, which was benefitted from the increase in import and export container volume driven by the growth in the trade of agricultural and meat products.

Strategic deployments in the ports operation

In the first half of 2019, facing the global economic pressure, the Group upheld the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", and focused on the "Project of Improving Quality and Efficiency" as a pivot. By conducting scientific researches on the changes in market conditions, the Group made great efforts in the development of overseas ports network in response to the adjustments of the international industrial landscape. At the same time, the Group accelerated integration and development internally and strengthened synergic cooperation externally, thereby enhancing professional capabilities, improving risk management and control, and various tasks have achieved positive results.

Regarding the development of homebase ports, the Group proactively promoted resources consolidation and accelerated the construction of the world-class leading ports. By executing the "Pearl River Delta Strategy", the Group penetrated into the hinterland of cargos and diverted cargos from the Pearl River Delta to the homebase port. The Group also actively pushed forward the feeder services and customs integration, and facilitated the construction of the "PRD NETWORK" platform in a bid to solidify the leading position of our homebase port among the hubs in Guangdong-Hong Kong-Macao Greater Bay Area. The Group accelerated the dredging and deepening project. Section 1 of the dredging and widening project for the Public Channel outside West Shenzhen Port Zone has been officially put in use, while sections 2 and 3 of the project are underway. Meanwhile, the Group has stepped up the efforts in the construction of an intelligent port, and the automation project of Haixing Port progressed with informationalisation, docking of operations, as well as planning and design of the control centre. Besides, the Group has enhanced the transformation of the smart safety monitoring and on-shore smart tally system in West Shenzhen Port Zone. In addition, the Group accelerated the promotion of innovative applications and applied the experiences of innovation projects to a larger scope, including "System of Safety Protection and Operation Support for Container Gantry Cranes" and "RTG Remote Control", which has improved operational efficiency, reduced operating costs, strengthened trade facilitation and improved the overall competitiveness of the West Shenzhen homebase port. The Group has further strengthened the construction of CICT, the overseas homebase port, and the cultivation of international talents. Hambantota Port has brought this overall concept into practice, and actively promoted the in-depth cooperation with international business partners. Meanwhile, the business synergy between CICT and Hambantota Port increased continuously with extensive synergic cooperation in the aspects of human resources, business expansion, financial management, as well as equipment and assets.

As for overseas expansion, the Group decided the direction for overseas development, i.e., by seizing the opportunities arising from the Belt and Road Initiative and international industries migration, as well as adapting to the trend of mega vessels and the alliance of shipping lines, the Group will focus on major hub locations, gateway ports and regions with huge market potential, fast economic growth and positive development prospects around the world, thereby grasping the investment opportunities in ports, logistics and related infrastructure, and further improving its global port network. Based on the analysis on economic development and foreign trade in Southeast Asian and South Asian countries, industries migration, market of ports operation and ports network of shipping alliances, the Group has identified Southeast Asian and South Asian gateway ports as its key investment targets. Simultaneously, it continued to study investment opportunities for gateway ports in mature markets, and strengthened the strategic cooperation with major international shipping companies, and pushed forward port projects and comprehensive development projects adjacent to ports in Africa.

With respect to comprehensive development, the Group actively implemented its comprehensive development model of "Port-Park-City". In the first half of 2019, a business outsourcing agreement for the oil tank area has been signed for the comprehensive development project of Hambantota Port, and the preparation work for the delivery of the maintenance and upgrade of oil tank area was nearly completed. Djibouti International Free Trade Zone was officially put into operation in early 2019. Through active participation and organisation of promotional campaigns, the Group witnessed positive development in the introduction of business and investment with 66 enterprises registered in the park as of the end of the period. During the period, the Group completed the transaction in relation to the land interest in Qianhai-Shekou Free Trade Zone in Shenzhen.

With regard to innovative development, the Group continued to push forward the establishment of a comprehensive port ecosystem with ports operation as the core, according to the innovation strategy, and enhanced the synergy and cooperation with the relevant parties in port business, so as to proactively promote the transformation and upgrade of the Company towards a "comprehensive port service provider". Regarding the innovative projects, the Group continued to put efforts in establishing the China Ports Venture Capital. Furthermore, on the basis of the application of "E-Port" in West Shenzhen Port Zone, the Group conducted researches and formulated plans for promoting the application of "CM ePort" at all subsidiary level. For digital innovation, the Group has completed the planning for informationalisation with the assistance of the professional advisors during the period, aiming to enhance the information management level for the global ports operation of the Group and create new drivers for quality development. Through such plan, the Group has identified the needs for informationalisation in aspects such as management of the headquarters, terminal operation and comprehensive ecosystem, and formulated the vision, blueprint and implementation roadmap of the Group's informationalisation development in the coming three years. Concurrently, Haixing Intelligent Port project has progressed as planned. Blockchain electronic invoices have fully applied in West Shenzhen Port Zone, which is the first B2B blockchain electronic invoices system for ports in China. In June 2019, the first "5G intelligent port innovation laboratory" of port industry in Mainland China was unveiled in Shekou, Shenzhen, which marked the commencement of construction for the first 5G intelligent port in Guangdong-Hong Kong-Macao Greater Bay Area.

Regarding operation management, the Group strived to develop a holistic operation management system that is strategy-driven. Based on the strategic positioning of its subsidiaries, the Group formulated differentiated investment plan and performance assessment mechanism to facilitate the sustainable and effective development of its subsidiaries. Moreover, the Group pushed forward the development of comprehensive port ecosystem, three major channels dredging projects and human resources management platform, and strengthened both the software and hardware infrastructure so as to enhance the service ability and competitiveness of the terminals in the region, promote the synergic development between different segments and businesses in different regions, and maximise the overall performance. The Group deepened the work on improving quality and efficiency. Organisations for quality and efficiency enhancement were formed at the headquarters and subsidiaries. To fully explore the operational potentials, by benchmarking against leading enterprises, initiatives and action plans for quality and efficiency enhancement has formulated from three aspects of revenue, cost and empowerment respectively, aiming to release the potentials and increase the efficiency of the subsidiaries. In order to improve the management efficiency at the headquarters and empower the subsidiaries with creativity and judgement, the Group has streamlined the internal control procedures and improved the cooperation mechanism among subsidiaries at different levels. Apart from enhancing operational efficiency, the Group also unleashed the companies' potentials in relevant decision-making capability through differentiated management, which was conducive to the efficient operation and long-term development of the Group.

Bonded logistics operation

In the first half of 2019, the Group's bonded logistics business continued to pursue the development direction of diverse integrated services business. The Group has put more efforts in marketing and enhanced the utilisation rate of resources at the existing warehouses and yards so as to respond to market changes. The utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen reached 97%, as a result of active exploration of new clients and operating models. China Merchants International Terminal (Qingdao) Co., Ltd. made full use of its resources to develop self-operated business and the warehouse utilisation rate was 99%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded a utilisation rate of 60% of its warehouses. The bonded warehouse in Djibouti, of which the Group participated in the investment and construction, has commenced operation, and its warehouse utilisation rate reached 80%.

During the first half of 2019, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 2.04 million tonnes, representing a decrease of 2.4% year-on-year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.38 million tonnes, representing a decrease of 7.3% year-on-year and a market share of 18.6%, down by 1.0 percentage point as compared with the same period last year.

Financial Review

For the six months ended 30 June 2019, the Group recorded a revenue of HK$4,464 million, down 19.7% over the same period last year, which was mainly attributed to the disposal of equity interest in Shenzhen Chiwan last year. The revenue derived from core ports operation decreased by 21.4% over the same period last year to HK$4,145 million. Profit attributable to equity holders of the Company amounted to HK$6,529 million, representing an increase of 19.8% over the same period last year, which included a gain of HK$3,281 million (net of tax) recognised from the Group's disposal of land parcels at Qianhai during the period, while the amount for the same period last year included a gain from the disposal of equity interest in Shenzhen Chiwan. Meanwhile, due to the disposal of Shenzhen Chiwan during the last interim period, the recurrent profit [Note 1] decreased by 5.8% over the same period last year to HK$2,045 million.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for the first half of 2019, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties, gain on deemed disposal of interest in a joint venture and gain on disposal of land parcels at Qianhai; while for the first half of 2018, gain on disposal of subsidiaries, change in fair value of financial assets and liabilities at fair value through profit or loss and change in fair value of investment properties.

As at 30 June 2019, total assets of the Group increased by 5.8% from HK$139,937 million as at 31 December 2018 to HK$148,086 million, which was mainly attributed to the debt receivables recognised from the disposal of land parcels at Qianhai during the period. As at 30 June 2019, net assets attributable to equity holders of the Company was HK$78,177 million, up by 3.8% as compared to that as at 31 December 2018. This was mainly attributed to the increase in profit attributable to equity holders of the Company, which eliminated the losses on translation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar or Brazilian Real and any exchange difference so arising from retranslation of these financial statements have been dealt with in the 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.

In general, the Group's ports operation continued to yield stable cash inflow. The Group's total net cash inflow from operating activities for the six months ended 30 June 2019 was HK$2,356 million, an increase of 16.3% year-on-year. As of 30 June 2019, mainly due to the fact that capital expenditure on business acquisitions decreased significantly as compared to the same period last year, the Group's net cash outflow from investment activities decreased from HK$11,613 million to HK$504 million. In addition, the Company recovered advance from a related party of HK$1,177 million during the current period. At the same time, the Group's net cash outflow from financing activities amounted to HK$1,905 million for the six months ended 30 June 2019, as compared to a net cash inflow of HK$8,928 million in the same period last year.

Liquidity and Treasury Policies

As at 30 June 2019, the Group had approximately HK$6,771 million in cash, 1.6% of which was denominated in Hong Kong dollars, 21.6% in United States dollars, 64.5% in Renminbi, 7.3% in Euro, 4.5% in Brazilian Real and 0.5% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK$2,356 million in total.

During the period, the Group incurred capital expenditure amounted to HK$1,236 million while the Group adopted a prudent financial policy and maintained a sound financial position. In addition, as a significant portion of the Group's bank loans were medium-term to long-term loans, the Group, supported by adequate undrawn bilateral bank facilities, 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 2019, the Company had 3,329,849,550 shares in issue. In July 2019, the Company issued 88,562,988 shares under the Company's scrip dividend scheme.

As at 30 June 2019, the Group's net gearing ratio [Note 2] was approximately 34.3%.

The Group had aggregate bank loans and listed notes payable of HK$27,485 million as at 30 June 2019 that contain customary cross default provisions.

As at 30 June 2019, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2019 *HK$'million*	**31 December 2018** *HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	4,214	4,114
Between 1 and 2 years	2,096	2,347
Between 2 and 5 years	3,606	4,158
More than 5 years	1,010	1,216
	10,926	11,835
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	1,278	364
Between 1 and 2 years	5	4
Between 2 and 5 years	45	48
More than 5 years	28	29
	1,356	445
Floating-rate listed notes payable which are repayable:		
In 2022	833	817
Fixed-rate listed notes payable which are repayable:		
In 2020	1,560	1,563
In 2022	3,885	3,890
In 2023	6,982	6,992
In 2025	3,889	3,897
In 2028	4,628	4,637
	20,944	20,979

Note: All bank loans are unsecured except for HK$3,376 million (31 December 2018: HK$3,646 million).

Note 2 Net interest-bearing debt divided by total equity.

	30 June 2019	31 December 2018
	HK$'million	*HK$'million*
Fixed-rate unlisted notes payable which are repayable (Note):		
In 2021	—	571
In 2022	2,842	2,853
	2,842	3,424
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	364	480
Between 2 and 5 years	123	63
More than 5 years	90	91
	577	634
Loan from an associate		
Repayable within 1 year	—	276
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	453	446

Note: During the current period, the Company has early repaid the RMB500 million fixed-rate unlisted notes maturing in 2021.

The interest bearing debts are denominated in the following currencies:

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from a fellow subsidiary	Loan from an associate	Loan from a non-controlling equity holder of a subsidiary	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
As at 30 June 2019							
HKD & USD	4,477	20,944	—	—	—	—	25,421
RMB	5,256	—	2,842	577	—	—	8,675
EURO	1,530	—	—	—	—	453	1,983
Brazilian Real	1,019	833	—	—	—	—	1,852
	12,282	21,777	2,842	577	—	453	37,931
As at 31 December 2018							
HKD & USD	4,454	20,979	—	—	276	—	25,709
RMB	4,876	—	3,424	634	—	—	8,934
EURO	1,667	—	—	—	—	446	2,113
Brazilian Real	1,283	817	—	—	—	—	2,100
	12,280	21,796	3,424	634	276	446	38,856

Assets Charge

As at 30 June 2019, bank loans of HK$210 million (31 December 2018: HK$217 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$409 million (31 December 2018: HK$413 million) and right-of-use assets with carrying value of HK$182 million (31 December 2018: land use rights of HK$184 million). In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary were pledged to various banks for bank loans of HK$3,166 million (31 December 2018: HK$3,429 million).

Employees and Remuneration

As at 30 June 2019, the Group employed 7,938 full-time staff, of which 229 worked in Hong Kong, 5,247 worked in Mainland China, and the remaining 2,462 worked overseas. The remuneration paid by the Group for the period amounted to HK$841 million, representing 26.8% of the total operating expenses of the Group. Adjustments to individual's remuneration were reviewed annually with reference to the Group's performance, individual's performance, 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 job-related skills. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their contribution and efforts 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 and responsibilities in the Company, experience and the 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 the 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 its community in a healthier and sustainable direction.

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 low-carbon green port. The Group encouraged its ports to actively carry out management of energy conservation, and to reduce energy consumption and control emission of greenhouse gas, such as carbon dioxide, through special operation management model and research and development of innovative energy conservation and emission reduction technologies. While continuing to develop new process and technologies, the Group also promoted and extended the application of successful cases such as "Substitution of Fuel-Powered Equipment with Electricity-Powered Equipment (油改電)" and "Shore-Powered Supply for Vessels (船舶岸基供電)" at its ports so as to further expand the application of new energy conservation technologies and products with a view to 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 core values into the community by actively participating in various community and charitable activities. The Group's charitable activities adhered to the theme of "Shaping Blue Dreams Together (共鑄藍色夢想)", which concerns the ocean and humanities. The Group organised the advanced-level training programme for port and shipping management called "Shaping Blue Dreams Together — C Blue Training Programme in the 21st Century (共鑄藍色夢想— 21世紀海上絲綢之路優才計劃)", which adopted an education model that combined theoretical courses with research and investigation, providing training for overseas trainees to acquire professional knowledge and enhance operational capability, and thus at the same time promoting the economic development and social progress of countries along the Belt and Road on a continuous basis. 21 trainees from eleven countries across four continents along the Belt and Road completed all training courses and graduated successfully.

FUTURE PROSPECTS

Looking forward to the second half of 2019, affected by factors such as trade frictions, financial markets volatility and increased uncertainties in monetary policies, the stability of global economy will be further undermined. According to IMF's forecast in July 2019, the global economic growth rate in 2019 is expected to be 3.2%, down by 0.4 percentage point as compared to that of 2018. Among which, the developed economies will grow at 1.9% (2018: 2.2%); and the emerging markets and developing economies will grow at 4.1% (2018: 4.5%). Global trade volume (including goods and services) will grow at a slower pace of 2.5% (2018: 3.7%). As stated in a report published in May 2019, the Organisation for Economic Co-operation and Development believed that the global economy will register a moderate yet vulnerable growth in the next two years. Intensified trade tension, high uncertainties of policies and financial market risks will result in weaker global investment and confidence, and thus create headwinds for the robust and sustainable global growth in the mid-term. The uncertainties of tariffs and trade in the future will disrupt global value chain and cause harm to the manufacturing industry, which will bring material uncertainties and hence pressure on decision-making of investment.

In the second half of 2019, against the backdrop of increasing global uncertainties, it is expected that the Chinese economy will continue to experience growth despite at a lower rate. According to IMF's latest forecast in July 2019, the Chinese economy is expected to grow at 6.2% in 2019. It is expected that import and export trade will decrease under the influence of tariffs, which can be alleviated through reduction of import tariff and increase in refund of value-added tax for exporting products announced earlier. Monetary and fiscal policies will be relaxed and the progress of supply-side structural reform will further accelerate. Benefitted from the increase in disposable income, domestic demand, especially consumption, will remain strong and infrastructure investment will rebound.

In the second half of 2019, the international container market will be facing more uncertainties. Firstly, the on-going US-China trade frictions will cast huge uncertainties on global economic development and demand for container shipment; secondly, with the upcoming implementation of "sulfur limit" for vessels by the International Maritime Organization, the operating cost of liners will notably increase; thirdly, the continuous rise of vessel charter rate may lead to further increase in operating cost for liners, while the delivery of new built vessels will partially offset the benefits from the growth of demand. Overall, the freight rate of international container shipping market will also be facing great downward pressure in the second half of the year.

Based on the above analysis and judgement, in the second half of 2019, upholding the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", and under the operation philosophy of "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world's leading enterprise", the Group will actively push forward the "Project of Improving Quality and Efficiency" to vigorously promote operation and development, aiming to achieve multiple breakthroughs in ports network and innovative transformation through both vertical and horizontal development.

Regarding the development of homebase port, the Group will take world-class leading port as its benchmark. At West Shenzhen homebase port, the Group will strive to push forward the business of "Connected Transportation of Sea-River-Rail" to actively secure import cargos and import reefer containers and strive to expand potential services for shipping routes. The Group will strengthen the development of internal control system and enhance management efficiency. The Group will develop an "intelligent port cluster" that comprises of smart container receiving, auto exit of unladen trucks and paperless auto processing for trucks, expand the online cash payment of "ePay", phase II of "PRD NETWORK" platform, etc. The Group is committed to developing CICT and Hambantota Port in Sri Lanka into regional leading ports and regional hubs for international shipping. On one hand, CICT will continue to strengthen the development as the overseas strategic fulcrum of the Group, and leveraging on the construction of the international shipping centre in South Asia to establish a base of talents, knowledge and innovative initiatives in Sri Lanka. On the other hand, Hambantota Port will focus on regional strategic planning, strengthening resource utilisation and promoting implementation of port strategies, thereby creating the sustainable profit-generating ability.

As for overseas expansion, the Group aims at achieving world-class standard. Adhering to the vision of "to be a world's leading comprehensive port service provider", the Group will keep abreast of the evolving trend of the global economic and trading landscape, make objective judgement on industries migration, and continue to focus on key regions and markets, in order to capture investment opportunities in overseas ports and optimise its global port network. With a focus on key overseas ports, the Group will develop regional port service networks and a capital operation platform for overseas assets, enhance the operational capability of overseas projects and strengthen the overseas teams of managerial talents.

In respect of comprehensive development, the Group aims at establishing world-class standard by proactively promoting the "Port-Park-City" development model. Hambantota Port will continue to adopt the "Port-Park-City" development model with a focus on constructing five major platforms, namely, port services, maritime services, integrated logistics, port-centred industries and enterprise incubation, striving to develop Hambantota Port into a key hub along the Belt and Road. With the commencement of operation, Djibouti International Free Trade Zone will conduct in-depth industrial research. While improving the precision of business solicitation, the Group will further enhance the image and influence of the Group in the region through synergic development among companies under the Group, thereby promoting the steady development of various businesses.

Regarding innovative development, the Group will push forward the digital transformation as well as the construction of an intelligent port through reforms in production technology, operation model and business model. The Group will unify the port operating and management system, and upgrade information service platform for each subsidiary port based on the Group's planning principles of informationalisation. Next, the Group will formulate the guiding implementation plan and ensure the execution from aspects of organisation, resources, company policies and mechanisms, which will be revised annually on a rolling basis according to the situation so as to carry on continuously, thereby achieving information connection between subsidiary ports. With the "empowerment of technology", the Group will build an ecosystem of technological innovation to enhance the overall port service capability and provide customers with smart and convenient services.

Regarding operation management, the Group will work aggressively towards world-class level. In the second half of 2019, the Group will continue to push forward the "Project of Improving Quality and Efficiency", and improve the operation and management capability internally. With a thorough understanding on the problems, identifying the priorities and executing the key projects, the Group will use the "Project of Improving Quality and Efficiency" as a means to advance the development of leading ports with growing efficiency and profits from the core business of port operation. The Group will streamline the global operation and management system covering information, operation, finance, project development, and corporate culture, etc. Expert teams will be assigned to study and formulate the contents and standards for each business module, identify problems on a regular basis, establish various evaluation grades and action plans to tackle problems, and conduct assessment on the execution.

With regard to marketing and commerce, the Group will benchmark against world-class standards. The Group will deepen the cooperation with shipping companies, and form alliances with shipping companies and port operators. Being customer-oriented, the Group will provide customers with more quality services based on market research and feedback. To realise synergic development and mutual benefits, the Group will strengthen communication and cooperation with other port operators in and outside China, so as to respond to changes in external environment, establish a cooperative and sharing mechanism, and set out better practices in the industry. In addition, the Group will strengthen the synergetic cooperation with cargo owners and expand into the upstream and downstream along the port industry chain, so as to build a more efficient and smarter trade chain.

In the second half of 2019, despite that the global economic and trade development will face risks related to various uncertainties and intensified challenges, the trend of industries migration and the booming emerging markets will bring development opportunities to comprehensive port services overseas. Moreover, the evolution of technology will contribute to the intelligentisation of port and shipping industry, achieving higher efficiency of the industry chain. The Group will capture the opportunities of this era, enhance its core competencies as well as maintain its strategic strength. As always, the Group will endeavour to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the four independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2019.

CORPORATE GOVERNANCE

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 2019, except the following: -

In respect of Code Provision E.1.2 under the Corporate Governance Code. Mr. Fu Gangfeng, the Chairman of the Board, did not attend the annual general meeting of the Company held on 3 June 2019 due to business trip. Mr. Bai Jingtao, the Managing Director, took 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 3 June 2019 to answer shareholders' questions.

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

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

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2019 interim report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By Order of the Board
China Merchants Port Holdings Company Limited
Fu Gangfeng
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.