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

Stock Code 股份代號：00144

WE CONNECT THE WORLD

INTERIM REPORT
2019 中期報告

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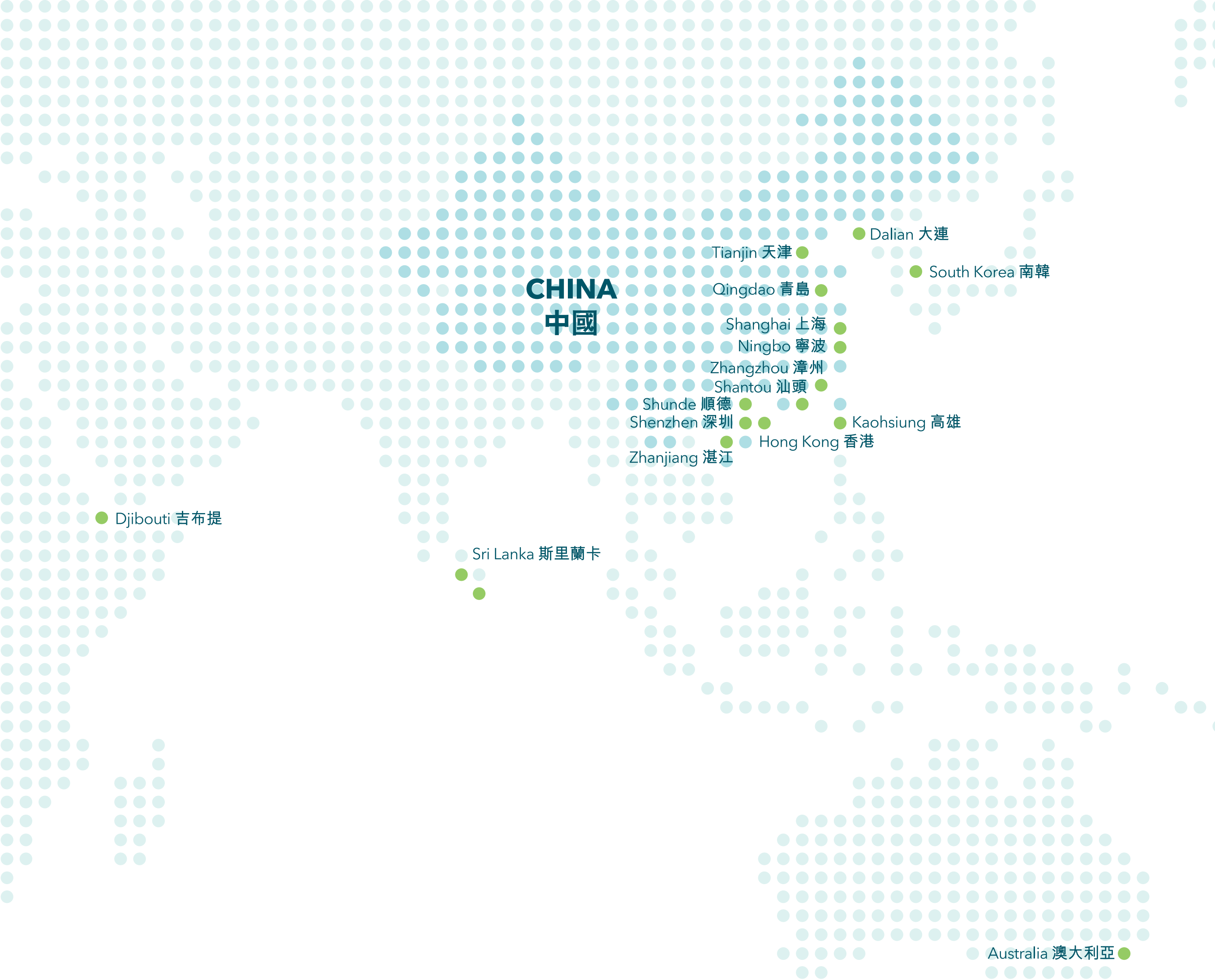
Presence of China Merchants Port Holdings Company Limited
招商局港口控股有限公司之業務分佈



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
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Ports

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Chiwan Container Terminal
赤灣集裝箱碼頭

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媽灣集裝箱碼頭

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

Guangdong Yide Port
廣東頤德港口

Chu Kong River Trade Terminal
珠江內河貨運碼頭

Logistics

China Merchants Bonded Logistics
招商局保稅物流

Yangtze River Delta
長三角地區

Ports

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

Ports

Zhangzhou China Merchants Port
漳州招商局碼頭

Xia Men Bay China Merchants Terminals
漳洲招商局廈門灣港務

Shantou China Merchants Port Group
汕頭招商局港口集團

South-West Region
西南地區

Ports

Zhanjiang Port Group
湛江港集團

Kaohsiung, Taiwan
台灣，高雄

Ports

Kao Ming Container Terminal
高明貨櫃碼頭

Bohai Rim
環渤海地區

Ports

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

Logistics

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. Fu Gangfeng (*Chairman*)
Mr. Su Jian
Mr. Xiong Xianliang
Mr. Bai Jingtao *(Managing Director)*
Mr. Ge Lefu
(appointed on 5 June 2019)
Mr. Wang Zhixian
Mr. Zheng Shaoping
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
(resigned on 5 June 2019)
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
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

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Hong Kong

WEBSITE

http://www.cmport.com.hk

Financial Highlights

	For the six months ended 30 June 2019 HK$'million	2018 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**4,464**	5,560	(19.7%)
Profit attributable to equity holders of the Company	**6,529**	5,448	19.8%
Non-recurrent gains, net of tax[1]	**(4,484)**	(3,277)	36.8%
Recurrent profit	**2,045**	2,171	(5.8%)
Earnings per share (HK cents)			
Basic and diluted	**196.07**	166.22	18.0%
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	–
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**2,356**	2,026	16.3%

	30 June 2019 HK$'million	31 December 2018 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	**148,086**	139,937	5.8%
Capital and reserves attributable to equity holders of the Company	**78,177**	75,321	3.8%
Net interest-bearing debts[2]	**31,160**	31,681	(1.6%)

	For the six months ended 30 June 2019 HK$'million	2018 HK$'million	Year-on-year changes
Revenue			
Ports operation	**4,145**	5,275	(21.4%)
Bonded logistics operation	**230**	221	4.1%
Other operations	**89**	64	39.1%
Total	**4,464**	5,560	(19.7%)
EBITDA[3]			
Ports operation	**3,224**	2,349	37.2%
Bonded logistics operation	**143**	127	12.6%
Other operations	**142**	216	(34.3%)
EBITDA	**3,509**	2,692	30.3%
Share of profits less losses of associates and joint ventures	**2,093**	1,895	10.4%
Unallocated net income[4]	**5,171**	4,183	23.6%
Finance costs, net	**(889)**	(737)	20.6%
Taxation	**(2,109)**	(1,058)	99.3%
Depreciation and amortisation	**(985)**	(1,062)	(7.3%)
Non-controlling interests	**(261)**	(465)	(43.9%)
Profit attributable to equity holders of the Company	**6,529**	5,448	19.8%

1. For 2019, include gain on deemed disposal of interest in a joint venture, net of tax of HK$456 million, gain on disposal of land parcels at Qianhai, net of tax of HK$3,281 million, increase in fair value of investments properties, net of tax of HK$68 million, and net gain on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$679 million. For 2018, include gain on disposal of subsidiaries, net of tax of HK$3,733 million, increase in fair value of investments properties, net of tax of HK$158 million, and net loss on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$614 million.
2. Interest-bearing debts less cash and bank balances.
3. Earnings before net finance costs, taxation, depreciation and amortisation but excluding share of profits less losses of associates and joint ventures, unallocated income less expenses and profit attributable to non-controlling interests of the Company and its subsidiaries.
4. For 2019, include expenses for corporate function, gain on deemed disposal of interest in a joint venture and gain on disposal of land parcels at Qianhai. For 2018, include expenses for corporate function and gain on disposal of subsidiaries.

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

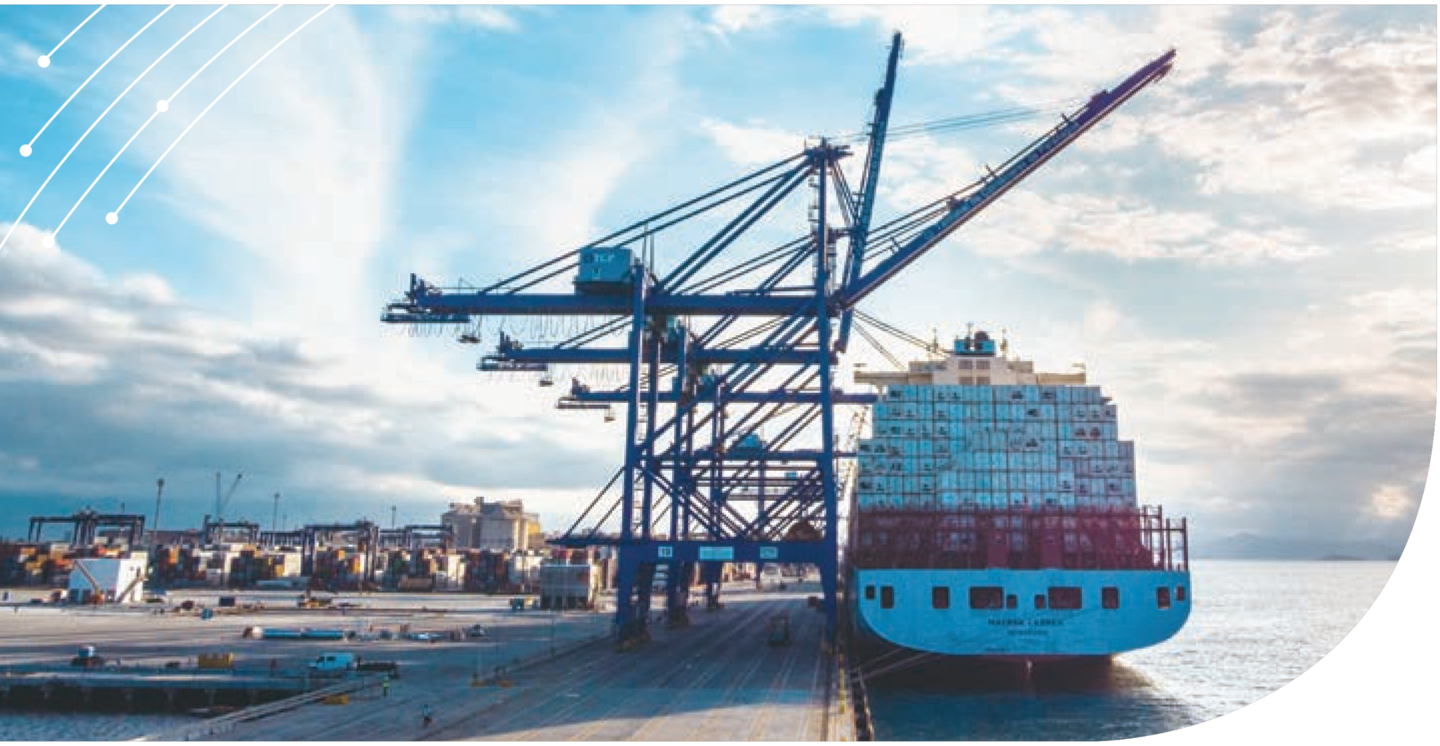
In the first half of 2019, facing the global economic pressure, the Group upheld the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", and focused on the "Project of Improving Quality and Efficiency" as a pivot. 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 channel 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 its overall planning 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 equipments 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 have 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. For the six months ended 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.

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

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 (a)):		
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
Fixed-rate unlisted notes payable which are repayable (Note (b)):		
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

Notes:

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

(b) 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 HK$'million	Listed notes payable HK$'million	Unlisted notes payable HK$'million	Loans from a fellow subsidiary HK$'million	Loan from an associate HK$'million	Loan from a non-controlling equity holder of a subsidiary HK$'million	Total 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 tariffs 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 allied services of ports and shipping. 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.

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.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, 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 (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares 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 2019
Mr. Fu Gangfeng	Beneficial owner	Personal interest	2,111	0.0001%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	220,948	0.0066%
			223,059	0.0067%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2019, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange.

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

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 9 December 2011 (the "**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. No share options were granted, outstandings, cancelled, lapsed or exercised under the Share Option Scheme during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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	%
China Merchants Group Limited	Interest of Controlled Corporation	2,070,335,311[1,2,3]	62.18%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,067,335,311[2]	62.08%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,067,335,311[2]	62.08%
Broadford Global Limited	Interest of Controlled Corporation	1,313,541,560[2]	39.45%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,313,541,560[2]	39.45%
China Merchants Investment Development Company Limited	Interest of Controlled Corporation	1,313,541,560[2]	39.45%
China Merchants Port Group Co., Ltd.	Beneficial Owner	1,313,541,560[2]	39.45%
China Merchants Union (BVI) Limited	Beneficial Owner	753,793,751[2]	22.64%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000[1,3]	0.09%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000[3]	0.09%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000[3]	0.09%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	753,793,751[4]	22.64%
Compass Investment Company Limited	Interest of Controlled Corporation	753,793,751[4]	22.64%
CNIC Corporation Limited	Interest of Controlled Corporation	753,793,751[4]	22.64%
Verise Holdings Company Limited	Interest of Controlled Corporation	753,793,751[4]	22.64%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("**CMSN**") and China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("**CMSIZ**") is a subsidiary of China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 2,070,335,311 shares, which represents the aggregate of 2,067,335,311 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 and Broadford Global Limited ("**Broadford**"), is in turn wholly-owned by CMHK. Rainbow Reflection Limited ("**Rainbow**") is 74.66%-owned by Broadford and 25.34%-owned by China Merchants Union (BVI) Limited ("**CMU**"). China Merchants Investment Development Company Limited ("**CMID**") is in turn wholly-owned by Rainbow. China Merchants Port Group Co., Ltd. ("**CMPG**"), formerly known as Shenzhen Chiwan Wharf Holdings Limited, which is 64.05%-owned by CMID and CMU is 50%-owned by CMHK.

   CMSN is deemed to be interested in 2,067,335,311 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 753,793,751 shares beneficially held by CMU and 1,313,541,560 shares beneficially held by CMPG.

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 24 May 2018, 50% interest in CMU is owned by Verise Holdings Company Limited ("**Verise Holdings**"), which is wholly-owned by CNIC Corporation Limited ("**CNIC Corporation**"), formerly known as GUOXIN International Investment Corporation Limited, 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, CNIC Corporation, Compass Investment and Pagoda Tree is deemed to be interested in the 753,793,751 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 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.

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 2019 and the 2019 Interim Report.

UPDATE ON DIRECTOR'S BIOGRAPHICAL DETAILS

With effect from 22 March 2019, Mr. Bai Jingtao has resigned as Vice-Chairman and Non-executive Director of Dalian Port (PDA) Company Limited, shares of which are listed on both The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

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
Fu Gangfeng
Chairman

Hong Kong, 30 August 2019

Condensed Consolidated Statement of Profit or Loss

For the Six Months Ended 30 June 2019

	Note	Unaudited 2019 HK$'million	2018 HK$'million
Revenue	6	**4,464**	5,560
Cost of sales		**(2,507)**	(3,032)
Gross profit		**1,957**	2,528
Other income and other gains, net	8	**6,373**	4,062
Administrative expenses		**(635)**	(777)
Finance income	9	**128**	135
Finance costs	9	**(1,017)**	(872)
Finance costs, net	9	**(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	10	**(2,109)**	(1,058)
Profit for the period	11	**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	12	**752**	731
Earnings per share for profit attributable to equity holders of the Company	13		
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

	Note	Unaudited 2019 HK$'million	2018 HK$'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	21	—	(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 ("FVTOCI"), 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	14	**7,200**	7,922
Intangible assets	14	**10,727**	11,132
Property, plant and equipment	14	**23,271**	29,212
Right-of-use assets	14	**16,124**	—
Land use rights	14	—	10,973
Investment properties	14	**8,388**	8,332
Interests in associates	15	**48,849**	45,821
Interests in joint ventures	15	**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	16	**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

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	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	17	**39,070**	39,070
Reserves		**38,355**	33,820
Proposed dividend		**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	18	**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	19	**3,558**	3,684
Dividend payable to ordinary shareholders of the Company		**2,431**	—
Bank and other borrowings	18	**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

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 31 December 2018 (audited)	39,070	2,968	33,283	75,321	12,683	88,004
Adjustments (note 3)	—	—	(109)	(109)	(19)	(128)
As at 1 January 2019 (adjusted)	39,070	2,968	33,174	75,212	12,664	87,876
COMPREHENSIVE INCOME						
Profit for the period	—	—	6,529	6,529	261	6,790
Other comprehensive (expense)/ income						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	(1,411)	—	(1,411)	(151)	(1,562)
Share of reserves of associates	—	44	—	44	—	44
Total other comprehensive expense for the period, net of tax	—	(1,367)	—	(1,367)	(151)	(1,518)
Total comprehensive (expense)/ income for the period	—	(1,367)	6,529	5,162	110	5,272
TRANSACTIONS WITH OWNERS						
Capital contribution to a subsidiary	—	—	—	—	32	32
Transfer to reserves	—	9	(9)	—	—	—
Share of other changes in equity attributable to equity holders of associates and a joint venture	—	234	—	234	—	234
Dividends	—	—	(2,431)	(2,431)	(67)	(2,498)
Total transactions with owners for the period	—	243	(2,440)	(2,197)	(35)	(2,232)
As at 30 June 2019	39,070	1,844	37,263	78,177	12,739	90,916

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2019

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2018	38,207	5,043	30,197	73,447	16,194	89,641
COMPREHENSIVE INCOME						
Profit for the period	—	—	5,448	5,448	465	5,913
Other comprehensive (expense)/ income						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	(846)	—	(846)	(58)	(904)
Increase in fair value of equity instruments at FVTOCI, net of deferred taxation	—	38	—	38	76	114
Share of reserves of associates	—	(30)	—	(30)	—	(30)
Release of reserves upon disposal of subsidiaries	—	1,055	(1,153)	(98)	—	(98)
Total other comprehensive income/ (expense) for the period, net of tax	—	217	(1,153)	(936)	18	(918)
Total comprehensive income for the period	—	217	4,295	4,512	483	4,995
TRANSACTIONS WITH OWNERS						
Capital contribution to a subsidiary	—	—	—	—	20	20
Transfer to reserves	—	37	(37)	—	—	—
Share of other changes in equity attributable to equity holders of associates	—	(152)	—	(152)	—	(152)
Dividends	—	—	(1,934)	(1,934)	(674)	(2,608)
Repayment of capital contribution to a non-controlling equity holder	—	—	—	—	(2)	(2)
Acquisition of subsidiaries (note 20)	—	—	—	—	226	226
Obligation arising from a put option to non-controlling equity holders of subsidiaries	—	—	—	—	(579)	(579)
Disposal of subsidiaries (note 21)	—	—	—	—	(2,677)	(2,677)
Total transactions with owners for the period	—	(115)	(1,971)	(2,086)	(3,686)	(5,772)
As at 30 June 2018	38,207	5,145	32,521	75,873	12,991	88,864

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2019

	Note	Unaudited 2019 HK$'million	2018 HK$'million
Net cash generated from operating activities		**2,356**	2,026
Cash flows from investing activities			
Repayment from a related party		**1,177**	—
Proceeds from withdrawal of other deposits		**905**	—
Payment for acquisition of additional interest in an equity instrument at FVTOCI		**(359)**	—
Investments in associates and joint ventures		**(422)**	(4,072)
Placing of other deposits		**(572)**	—
Purchase of property, plant and equipment and port operating rights		**(1,298)**	(1,256)
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	21	**—**	4,826
Payment for acquisition of subsidiaries completed in previous years (net of cash and cash equivalents acquired)		**—**	(10,994)
Other investing cash flows		**65**	(117)
Net cash used in investing activities		**(504)**	(11,613)
Cash flows from financing activities			
Proceeds from bank loans		**4,564**	19,970
Repayment of bank loans		**(4,567)**	(7,176)
Interests paid		**(980)**	(768)
Repayment of notes payable		**(578)**	(2,367)
Repayment of loan from an associate		**(276)**	—
Other financing cash flows		**(68)**	(731)
Net cash (used in)/generated from financing activities		**(1,905)**	8,928
Decrease in cash and cash equivalents		**(53)**	(659)
Cash and cash equivalents at 1 January		**5,238**	9,247
Effect of foreign exchange rate changes		**(26)**	(56)
Cash and cash equivalents at 30 June, represented by cash and bank balances		**5,159**	8,532

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 the Company's 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 30 August 2019 but has not been audited.

2. 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 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared on the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss ("FVTPL"), equity instruments at FVTOCI and financial liabilities at FVTPL, which are carried at fair value.

Except as described below in note 3.1 for changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described therein.

During the period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA, which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated interim financial information:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported as described below.

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

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings, plant, machinery, furniture and equipment and other categories under "property, plant and equipment" line item, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date that the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor (Continued)

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has recognised lease liabilities of HK$947 million and right-of-use assets of HK$18,135 million at 1 January 2019 upon application of HKFRS 16.

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%.

	At 1 January 2019 HK$'million
Operating lease commitments as at 31 December 2018	**1,993**
Less: Short-term leases	**(13)**
Total future finance costs	**(1,041)**
Lease liabilities discounted at relevant incremental borrowing rates	**939**
Add: Lease liabilities resulting from lease modifications of existing leases (Note)	**5**
Extension options reasonably certain to be exercised	**3**
Lease liabilities as at 1 January 2019	**947**
Analysed as	
Current	**70**
Non-current	**877**
	947

Note: The Group renewed the leases of leasehold land and buildings commencing after date of initial application. They are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'million
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	866
Reclassified from land use rights (Note (a))	10,973
Amounts included in property, plant and equipment under HKAS 17 previously under finance leases (Note (b))	6,296
	18,135
By class:	
Land use rights	10,973
Leasehold land and buildings	172
Harbour works, buildings and dockyard	6,034
Plant, machinery, furniture and equipment	170
Others under property, plant and equipment	786
	18,135

Notes:

(a) Upfront payments for leasehold land were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, land use rights amounting to HK$10,973 million was reclassified to right-of-use assets.

(b) In relation to assets previously under finance leases, the Group reclassified the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$6,296 million.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no material impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and to be adjusted to reflect the discounting effect at transition. As at 1 January 2019, the respective discounting effect is insignificant.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated interim financial information of the Group for the current period.

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 annual consolidated financial statements for the year ended 31 December 2018.

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 consolidated financial statements, and hence should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 is 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 and liabilities that are measured at fair value at 30 June 2019 and 31 December 2018:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
As at 30 June 2019				
Financial assets				
Financial assets at FVTPL	**2,270**	—	**1,146**	**3,416**
Equity instruments at FVTOCI	—	—	**470**	**470**
	2,270	—	**1,616**	**3,886**
Financial liabilities				
Financial liabilities at FVTPL	—	—	**(4,598)**	**(4,598)**
As at 31 December 2018				
Financial assets				
Financial assets at FVTPL	1,771	—	612	2,383
Equity instruments at FVTOCI	—	—	110	110
	1,771	—	722	2,493
Financial liabilities				
Financial liabilities at FVTPL	—	—	(4,383)	(4,383)

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 financial assets at FVTPL is valued based on the quoted prices in active markets for the identical assets directly.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (Continued)

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

The fair value of the unlisted equity instruments of a listed entity that are accounted for as financial assets at FVTPL 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. As at 30 June 2019, if the factor of discount for lack of marketability was 5% (31 December 2018: 5%) higher/lower while all the other variables were held constant, the decrease/increase in fair value of the unlisted equity instruments of a listed entity would be HK$43 million (31 December 2018: HK$24 million).

The fair value of other unlisted equity instruments that are accounted for as financial assets at FVTPL or equity instruments at FVTOCI 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 2019, if any of the significant unobservable inputs above was 5% (31 December 2018: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the unlisted equity instruments would be insignificant (31 December 2018: insignificant) to the Group.

The fair value of the liabilities arising from the concession arrangements that are accounted for as financial liabilities at FVTPL is valued at the present value of the expected future economic benefits that will flow out of the Group arising from such obligation by using discounted cash flow method. The significant unobservable inputs are the factor of inflation and probability-adjusted business volume. As at 30 June 2019, if factor of inflation was 5% (31 December 2018: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the liabilities arising from the concession arrangements would be insignificant (31 December 2018: insignificant). As at 30 June 2019, if the probability-adjusted business volume was 5% (31 December 2018: 5%) higher/lower while all the other variables were held constant, the decrease/increase in fair value of the liabilities arising from the concession arrangements would be HK$162 million (31 December 2018: HK$147 million).

The fair value of the put option that is accounted for as a financial liability at FVTPL is valued using Black Scholes option model and the significant unobservable inputs used in the fair value measurement are the exercise price, risk-free rate, expected dividend yield, expected volatility and time-to-maturity. As at 30 June 2019, if the exercise price was 5% (31 December 2018: 5%) higher/lower while all the other variables was held constant, the increase/decrease in fair value of the put option would be HK$14 million and HK$12 million respectively (31 December 2018: HK$15 million and HK$13 million respectively). As at 30 June 2019, if any of the significant unobservable inputs, other than the exercise price, was 5% (31 December 2018: 5%) higher/lower while all the other variables were held constant, the change in fair value of the put option would be insignificant (31 December 2018: insignificant).

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (Continued)

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

The following tables present the changes in level 3 financial instruments for the six months ended 30 June 2019 and 2018:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million	Financial liabilities at FVTPL HK$'million
Six months ended 30 June 2019			
As at 1 January 2019	**612**	**110**	**(4,383)**
Addition	**50**	**360**	—
Exchange adjustments	**(10)**	—	**(42)**
Settlement	—	—	**50**
Unrealised fair value gain/(loss) recognised in profit or loss	**494**	—	**(223)**
As at 30 June 2019	**1,146**	**470**	**(4,598)**
Six months ended 30 June 2018			
As at 1 January 2018	752	120	—
Addition	2	—	—
Arising from acquisition of subsidiaries (note 20)	—	—	(5,091)
Disposal of subsidiaries (note 21)	—	(168)	—
Exchange adjustments	(7)	(1)	749
Settlement	—	—	39
Unrealised fair value gain/(loss) recognised in profit or loss	10	—	(64)
Unrealised fair value gain recognised in other comprehensive income (included in other reserves)	—	152	—
As at 30 June 2018	757	103	(4,367)

(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 interim financial information 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	
	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

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 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

7. SEGMENT INFORMATION (CONTINUED)

(ii) Bonded logistics operation includes logistic 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

7. SEGMENT INFORMATION (CONTINUED)

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

7. SEGMENT INFORMATION (CONTINUED)

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

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 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 HK$'million	Yangtze River Delta HK$'million	Bohai Rim HK$'million	Others HK$'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)

7. SEGMENT INFORMATION (CONTINUED)

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 HK$'million	Yangtze River Delta HK$'million	Bohai Rim HK$'million	Others HK$'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)

8. 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 (note 21)	**—**	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 (note 15)	**480**	—
Increase/(decrease) in fair value of financial assets at 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 (as defined in note 23) of the China Merchants Group Limited ("CMG") 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 ("QHSH"), 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. Further details are set out in note 23.

9. 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.

10. 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.

10. TAXATION (CONTINUED)

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 8. 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. Further details are set out in note 21.

(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.

11. 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

12. 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.

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	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.

14. GOODWILL, INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, LAND USE RIGHTS AND INVESTMENT PROPERTIES

	Goodwill HK$'million	Intangible assets HK$'million	Property, plant and equipment HK$'million	Right-of-use assets HK$'million	Land use rights HK$'million	Investment properties HK$'million
Six months ended 30 June 2019						
Net book value as at 1 January 2019	**7,922**	**11,132**	**29,212**	—	**10,973**	**8,332**
Adjustments upon application of HKFRS 16 (note 3.1)	—	—	**(6,296)**	**18,135**	**(10,973)**	—
Net book value as at 1 January 2019 – As restated	**7,922**	**11,132**	**22,916**	**18,135**	—	**8,332**
Exchange adjustments	**(722)**	**(271)**	**(76)**	**(28)**	—	**(35)**
Additions	—	**4**	**1,026**	**219**	—	—
Increase in fair value	—	—	—	—	—	**91**
Transfer from/(to) other non-current assets	—	—	**59**	**(1,060)**	—	—
Disposal	—	—	**(52)**	**(897)**	—	—
Depreciation and amortisation	—	**(138)**	**(602)**	**(245)**	—	—
Net book value as at 30 June 2019	**7,200**	**10,727**	**23,271**	**16,124**	—	**8,388**
Six months ended 30 June 2018						
Net book value as at 1 January 2018	3,628	5,925	30,880	—	12,851	8,411
Exchange adjustments	(1)	(889)	(422)	—	(76)	(77)
Additions	—	14	1,130	—	—	—
Acquisition of subsidiaries (note 20)	4,886	6,485	2,453	—	—	—
Increase in fair value	—	—	—	—	—	217
Transfer from other non-current assets	—	—	70	—	—	—
Disposal	—	—	(28)	—	—	—
Disposal of subsidiaries (note 21)	(473)	(141)	(3,950)	—	(1,023)	(73)
Depreciation and amortisation	—	(129)	(795)	—	(138)	—
Net book value as at 30 June 2018	8,040	11,265	29,338	—	11,614	8,478

15. INTERESTS IN ASSOCIATES/JOINT VENTURES

Deemed disposal of interest in Zhanjiang Port (Group) Co., Ltd.

During the period, 1,853,518,190 shares of Zhanjiang Port (Group) Co., Ltd. ("ZJG") were issued to a fellow subsidiary and another party. Following the subscription of new shares by the subscribers, the Group's interest in ZJG has been diluted from 40.29% to 27.58%, resulting in a gain on deemed disposal of HK$480 million. Under the new shareholders' agreement, decisions of relevant activities of ZJG do not require unanimous consent from all of its shareholders, including the Group. Hence, the Group no longer recognised its investment in ZJG as interest in a joint venture. The investment in ZJG is accounted for as an interest in an associate as the directors consider the Group has significant influence over the investee.

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2019 HK$'million	31 December 2018 HK$'million
Trade debtors from contracts with customers, net (Note (a))	**1,236**	1,011
Amounts due from fellow subsidiaries (Note (b))	**13**	12
Amounts due from associates (Note (c))	**7,012**	136
Amounts due from joint ventures (Note (b))	**19**	19
Amount due from a related party (Note (d))	**—**	1,183
Dividend receivables	**1,593**	297
	9,873	2,658
Other debtors, deposits and prepayments	**704**	719
	10,577	3,377

16. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

(a) Bill receivables of HK$15 million (31 December 2018: HK$13 million) are included in trade debtors as at 30 June 2019.

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2018: 90 days) to its trade debtors. 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

(b) The amounts are unsecured, interest free and expected to be repayable within twelve months from the end of the reporting period.

(c) During the current interim period, the Group entered into certain debt agreements with an associate, pursuant to which, the associate agrees that it will pay to the Group an amount of HK$6,472 million in relation to certain land parcels that the associate will be entitled. The amount is unsecured, interest free and repayable within twelve months from the end of the reporting period. The remaining balance as at 30 June 2019 and the entire balance as at 31 December 2018 are unsecured, interest free and repayable on demand.

(d) The related party is an associate of CMG. The amount at 31 December 2018 was interest-bearing at floating interest rate, repayable within twelve months from that date and secured by the equity interest in an associate of the Group held by the controlling shareholder of the associate. The full amount has been settled by the related party during the current period.

17. SHARE CAPITAL

	Company			
	Number of shares		**Share capital**	
	Six months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019 HK$'million**	2018 HK$'million
Issued and fully paid:				
As at 1 January and 30 June	**3,329,849,550**	3,277,619,310	**39,070**	38,207

During the period from 1 July 2019 to the date of approval of this condensed consolidated interim financial information, 88,562,988 ordinary shares (2018: 47,006,515 ordinary shares) were issued by the Company to satisfy the payment of the 2018 final dividend of HK$1,170 million (2018: HK$792 million).

18. BANK AND OTHER BORROWINGS

	30 June 2019 HK$'million	31 December 2018 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	**2,116**	1,989
– fixed rate	**1,273**	359
Unsecured long-term fixed rate bank loans	**83**	86
Long-term variable rate bank loans		
– unsecured	**5,434**	6,200
– secured (Note (a))	**3,376**	3,646
	12,282	12,280
Loan from a non-controlling equity holder of a subsidiary (Note (b))	**453**	446
Loans from a fellow subsidiary (Note (c))	**577**	634
Loan from an associate (Note (d))	—	276
Notes payable (Note (e))		
– US$200 million, 3.5% guaranteed listed notes maturing in 2020	**1,560**	1,563
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,885**	3,890
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	**6,982**	6,992
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	**3,889**	3,897
– US$600 million, 5% guaranteed listed notes maturing in 2028	**4,628**	4,637
– Brazilian Real 428 million, Brazil's National Consumer Price Index ("IPCA") +7.82% listed notes maturing in 2022	**833**	817
– RMB500 million, 5.15% unlisted notes maturing in 2021	—	571
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	**2,842**	2,853
	24,619	25,220
Total	**37,931**	38,856
Less: amounts due within one year included under current liabilities	**(5,856)**	(5,234)
Non-current portion	**32,075**	33,622

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 30 June 2019, the following assets are pledged against the Group's secured bank loans:

	30 June 2019 HK$'million	31 December 2018 HK$'million
Property, plant and equipment (note 14)	**409**	413
Right-of-use assets (note 14)	**182**	—
Land use rights (note 14)	—	184
	591	597

In addition to the above, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary as at 30 June 2019 and 31 December 2018, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) The amount is unsecured, interest bearing at 4.65% (31 December 2018: 4.65%) per annum and is not required to be repaid within twelve months from the end of the 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 ranging from 4.28% to 4.80% (31 December 2018: 4.28% to 4.80%) per annum. Except for the amount of HK$213 million (31 December 2018: HK$154 million), the remaining balances are repayable within twelve months from the end of the reporting period.

(d) As at 31 December 2018, the amount was unsecured, interest bearing at floating rate per annum and repayable within twelve months from the end of the reporting period. The entire balance has been settled during the current period.

(e) Listed notes issued by subsidiaries of the Company of HK$20,944 million (31 December 2018: HK$20,979 million) are secured by corporate guarantees provided by the Company.

During the current period, the Group has early repaid the RMB500 million, 5.15% unlisted notes maturing in 2021.

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

	30 June 2019	31 December 2018
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$900 million, 4.375% guaranteed listed notes maturing in 2023	**4.78%**	4.78%
US$500 million, 4.75% guaranteed listed notes maturing in 2025	**4.83%**	4.83%
US$600 million, 5% guaranteed listed notes maturing in 2028	**5.40%**	5.40%
Brazilian Real 428 million, IPCA +7.82% listed notes maturing in 2022	**14.66%**	14.66%
RMB500 million, 5.15% unlisted notes maturing in 2021	**N/A**	5.22%
RMB2,500 million, 4.89% unlisted notes maturing in 2022	**4.94%**	4.94%

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(f) As at 30 June 2019, the Group has undrawn bank loan facilities and other debt financing instruments amounting to HK$13,420 million (31 December 2018: HK$21,517 million), of which HK$9,143 million (31 December 2018: HK$14,712 million) and HK$4,277 million (31 December 2018: HK$6,805 million) are committed and uncommitted credit facilities respectively.

(g) The bank and other borrowings as at 30 June 2019 and 31 December 2018 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from a fellow subsidiary		Loan from an associate		Listed notes payable		Unlisted notes payable		Total	
	2019 HK$'million	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million
Within 1 year	**5,492**	4,478	—	—	**364**	480	—	276	—	—	—	—	**5,856**	5,234
Between 1 and 2 years	**2,101**	2,351	—	—	—	—	—	—	**1,560**	1,563	—	—	**3,661**	3,914
Between 2 and 5 years	**3,651**	4,206	—	—	**123**	63	—	—	**11,700**	11,699	**2,842**	3,424	**18,316**	19,392
Within 5 years	**11,244**	11,035	—	—	**487**	543	—	276	**13,260**	13,262	**2,842**	3,424	**27,833**	28,540
More than 5 years	**1,038**	1,245	**453**	446	**90**	91	—	—	**8,517**	8,534	—	—	**10,098**	10,316
	12,282	12,280	**453**	446	**577**	634	—	276	**21,777**	21,796	**2,842**	3,424	**37,931**	38,856

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

	30 June 2019	31 December 2018
Hong Kong dollar	**3.11% to 3.16%**	3.32%
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	**3.82% to 5.23%**	3.09% to 5.69%
Brazilian Real	**5.90% to 8.29%**	3.50% to 8.29%

19. CREDITORS AND ACCRUALS

	30 June 2019 HK$'million	31 December 2018 HK$'million
Trade creditors (Note (a))	**319**	396
Amounts due to fellow subsidiaries (Note (b))	**187**	183
Other payables and accruals	**3,052**	3,105
	3,558	3,684

Notes:

(a) 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

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

20. ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2018

On 4 September 2017, the Group (as the purchaser) entered into a share purchase agreement with TCP Participações S.A. (as the intervening party) ("TCP", together with its subsidiaries, the "TCP Group") and several independent third parties who are the original shareholders of TCP (as the seller) (the "Selling Shareholders"), pursuant to which, the Selling Shareholders agreed to sell and the Group agreed to purchase 7,271,233 issued shares of TCP (the "Initial Sale Shares") which were originally owned by the Selling Shareholders. The sale of the Initial Sale Shares to the Group will accelerate the vesting of the stock options granted by TCP (the "TCP Stock Option Plan"). The Selling Shareholders agreed to cause the beneficiaries of the TCP Stock Option Plan to exercise their rights to subscribe for 340,100 shares of TCP under the TCP Stock Option Plan (the "Individual Seller Shares") and to sell all the Individual Seller Shares to the Group (the "TCP Acquisition"). The Initial Sale Shares and the Individual Sellers Shares collectively represent 90% of the issued share capital of TCP. The cash consideration for the acquisition of the Initial Sale Shares and the Individual Sellers Shares is Brazilian Real 2,812 million (equivalent to approximately HK$6,731 million).

Pursuant to the shareholders' agreement, a put option was granted by the Group to the non-controlling equity holders of TCP Group (the "Option Holders") exercisable 2 years after 23 February 2018. The Option Holders have the right to sell to, and require the Group to acquire all of the Option Holders' remaining equity interest of TCP Group after 23 February 2018 at a cash consideration. At initial recognition, the fair value of the put option as at acquisition date amounting to HK$189 million. The Group was also granted with a call option to acquire all of the Option Holders' remaining equity interest of TCP Group, where the fair value of the call option was determined as negligible at initial recognition.

TCP Group is principally engaged in operation of port facilities in Brazil.

The transaction was completed on 23 February 2018. Since then, the Group has the right to appoint the majority of board members to the board of directors of TCP, which is the authority of the power to direct the relevant activities of TCP. Accordingly, TCP Group is accounted for as subsidiaries of the Group.

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2018 (Continued)

Further details of the TCP Acquisition are set out below:

	HK$'million
Consideration	
Cash	6,731
Fair value of identifiable assets acquired and liabilities assumed:	
Intangible assets (note 14)	6,485
Property, plant and equipment (note 14)	2,453
Deferred tax assets	39
Inventories	1
Debtors, deposits and prepayments	255
Taxation recoverable	40
Cash and bank balances	1,103
Bank and other borrowings	(2,714)
Other non-current liabilities	(4,349)
Deferred tax liabilities	(722)
Creditors and accruals	(274)
Taxation payable	(57)
Total identifiable net assets	2,260

The fair values of the above intangible assets acquired in the TCP Acquisition and the value of put option had been determined by a group of professional valuers, Greater China Appraisal Limited. Fair values of the identifiable assets acquired and liabilities assumed were determined by reference to valuations performed by Greater China Appraisal Limited based on asset-based approach. Significant assumptions of the valuations included the growth rates, discount rates and expected future cash inflows/outflows of TCP Group.

	HK$'million
Net cash outflow arose in the TCP Acquisition:	
Cash consideration	6,731
Less: Cash and bank balances acquired	(1,103)
Net cash outflow during the six months ended 30 June 2018	5,628

Trade debtors acquired with a fair value of HK$134 million at the date of acquisition had gross contractual amounts of HK$138 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$4 million.

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2018 (Continued)

The non-controlling interests in TCP Group recognised were measured by reference to the fair values of the identifiable assets acquired and liabilities assumed at the respective acquisition dates.

Acquisition-related costs amounting to HK$4 million during the six months ended 30 June 2018 in aggregate had been excluded from the consideration transferred and has been recognised as an administrative expense in the condensed consolidated statement of profit or loss in the last interim period.

Goodwill arose on the TCP Acquisition:

	HK$'million
Cash consideration	6,731
Add: Put option derivative	189
Add: Non-controlling interests	226
Less: Fair values of identifiable net assets acquired	(2,260)
Goodwill arose on acquisition	4,886

Goodwill arose in the acquisition of TCP Group because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies as a result of the new presence in Latin America region which will further strengthen the Group's global port network. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

21. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2018

In June 2018, the Company completed the disposal of its entire approximately 34% equity interest in Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan", together with its subsidiaries, the "Shenzhen Chiwan Group"), a non-wholly-owned subsidiary of the Company whose A shares and B shares are listed on the Shenzhen Stock Exchange, to subsidiaries of CMG for a total cash consideration of HK$5,410 million.

During the six months ended 30 June 2018, China Nanshan Development (Group) Incorporation ("China Nanshan", an associate of the Company) also completed the disposal of its entire approximately 33% equity interest in Shenzhen Chiwan for a consideration of HK$6,510 million to another subsidiary of CMG. This transaction, together with the above disposal of the Shenzhen Chiwan Group by the Group, are collectively referred to as the "Disposal".

The Company was entitled to exercise the management rights and has the power to direct the voting rights of the approximately 33% equity interest of Shenzhen Chiwan held by China Nanshan pursuant to an entrustment agreement entered into with China Nanshan in previous years, which has been terminated upon the completion of the Disposal during the six months ended 30 June 2018 pursuant to an agreement to terminate the said entrustment agreement. Accordingly, upon completion of the Disposal, Shenzhen Chiwan Group ceased to be subsidiaries of the Company.

21. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2018 (Continued)

	HK$'million
Analysis of the aggregate assets and liabilities of Shenzhen Chiwan Group over which control was lost:	
Goodwill (note 14)	473
Intangible assets (note 14)	141
Property, plant and equipment (note 14)	3,950
Land use rights (note 14)	1,023
Investment properties (note 14)	73
Interests in associates	897
Other financial assets	180
Other non-current assets	345
Deferred tax assets	13
Inventories	21
Debtors, deposits and prepayments	548
Taxation recoverable	29
Cash and bank balances	584
Bank and other borrowings	(1,304)
Other non-current liabilities	(223)
Deferred tax liabilities	(48)
Creditors and accruals	(432)
Taxation payable	(94)
Net assets disposed of	6,176
Gain on Disposal:	
Cash consideration	5,410
Interests in associates (Note)	2,595
Net assets disposed of	(6,176)
Non-controlling interests	2,677
Cumulative reserves reclassified from equity to profit or loss upon disposal	98
Costs directly attributable to the disposal	(204)
Gain on Disposal	4,400

Note: Upon completion of the Disposal, an entity previously accounted for as a subsidiary of the Company had been reclassified as interests in an associate since the Group ceased to control thereof. Included in the amount was the fair value of Group's share of business value of the relevant entity as of the date of the completion of the Disposal. Included in the amount was also the Group's share of China Nanshan's gain of disposal of its entire approximately 33% equity interest in Shenzhen Chiwan.

21. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2018 (Continued)

	HK$'million
Net cash inflow arising on disposal during the six months ended 30 June 2018:	
Cash consideration received	5,410
Less: Cash and cash equivalents disposed of	(584)
	4,826

22. COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 June 2019 HK$'million	31 December 2018 HK$'million
Group:		
Property, plant and equipment and intangible assets	**4,047**	4,105
Joint ventures:		
Property, plant and equipment	**110**	523
	4,157	4,628

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

	30 June 2019 HK$'million	31 December 2018 HK$'million
Group:		
– Ports projects	**6**	6
– Investment in an associate (Note)	**6,877**	—
	6,883	6

Note: In addition, the Group has committed to further inject into the associate of cash up to RMB2,100 million (equivalent to approximately HK$2,400 million).

22. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities

(i) As at 30 June 2019, the TCP Group had significant contingent liabilities arising from pending legal proceedings in Brazil in respect of disputes with local tax authorities, employees or former employees of TCP Group and other parties, amounting to HK$279 million (31 December 2018: HK$369 million), which, based on the latest estimates of the management of the Group, is not probable that outflows of resources embodying economic benefits will be required to settle these obligations. Accordingly, no provision for litigation claims in respect of the above cases has been made in the condensed consolidated interim financial information. A counter indemnity in favour of the Group is executed by the Selling Shareholders pursuant to which the latter indemnify to the Group for the above contingent liabilities for and up to predetermined amounts and specified length of time.

(ii) As at 30 June 2019 and 31 December 2018, 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$95 million (31 December 2018: HK$108 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 an associate and a related party of the Group. The total amounts guaranteed by the Group are HK$391 million (31 December 2018: HK$392 million) and HK$225 million (31 December 2018: Nil) respectively and the aggregate amount utilised by the relevant associate and related party amounted to HK$9 million (31 December 2018: HK$28 million) and HK$86 million (31 December 2018: Nil) respectively as at 30 June 2019.

The directors of the Company assessed the risk of default of the associates and the related party 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.

(iii) As at 30 June 2019 and 31 December 2018, the Company was involved in a legal action involving dispute over the Group's overseas investment. Based on advice of legal counsel and information available to the Group, the directors of the Company are of the opinion that it is pre-mature to assess the possible outcome of the case as it is still in its early stage and thus, the Company is unable to ascertain the likelihood and estimate a reliable amount of the claim at the current stage.

23. RELATED PARTY 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 2019 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 2019 HK$'million	2018 HK$'million
Rental income from	(i)		
– an immediate holding company	(vii)	**3**	—
– fellow subsidiaries	(vii)	**22**	12
Lease payment made to	(i)		
– fellow subsidiaries	(vii)	**40**	47
– associates		**—**	34
Service income from	(ii)		
– the ultimate holding company	(vii)	**—**	2
– an intermediate holding company	(vii)	**1**	—
– fellow subsidiaries	(vii)	**36**	52
– associates		**12**	25
– joint ventures		**39**	48
– other related party		**3**	—
Service fee paid to	(iii)		
– fellow subsidiaries	(vii)	**31**	28
– a joint venture		**9**	8
Interest income from			
– a fellow subsidiary	(v), (vii)	**6**	3
– associates	(iv)	**1**	2
– a joint venture	(iv)	**36**	—
– other related party	(iv), (vii)	**21**	29
Interest expenses and upfront fees paid to	(vi)		
– an intermediate holding company	(vii)	**—**	4
– a fellow subsidiary	(vii)	**15**	35
– an associate		**8**	14

23. RELATED PARTY 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. Lease payments were received or charged at a fixed amount per month in accordance with respective tenancy agreements.

As at 30 June 2019, the Group has right-of-use-assets of HK$38 million and lease liabilities of HK$35 million in relation to these leases (31 December 2018: N/A).

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

(iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management 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) and (d) on the outstanding amounts due from associates of the Group and a related party respectively, and 8% per annum on the outstanding advance to a joint venture.

(v) As at 30 June 2019, the Group placed deposits of HK$163 million (31 December 2018: HK$494 million) 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 ranging from 0.35% to 2.03% (2018: 1.50% to 3.05%) per annum.

(vi) Interest expenses were charged at interest rates as specified in note 18 on the outstanding amounts due to these related parties.

(vii) Included in these transactions are certain connected transactions entered into by the Group. Other than these transactions, none of the other transactions in the table above falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under the Listing Rules.

(viii) During the current period, a subsidiary of the Company entered into a transaction with a related party for leasing a parcel of land located in Djibouti. The Group has accounted for the lease as a finance lease and recognised a right-of-use asset amounting to HK$216 million.

(ix) Pursuant to the relevant agreements entered into between the Group, QHSH and the CMG Group, the Group's participation in the development of the Qianhai-Shekou Free Trade Zone includes:

(1) disposal of certain land parcels held by two subsidiaries of the Group in Qianhai, Shenzhen, the PRC, to QHSH. The consideration for the disposal includes cash of approximately RMB5,693 million and another piece of land located in Dachan Bay Port Phase II;

(2) the establishment of a joint venture company (the "Joint Venture Company") by a company in which the Group holds 14% equity interest (with the other 86% equity interest being held by certain members of the CMG Group) and a subsidiary of QHSH; and

(3) the injection into the Joint Venture Company of certain land parcels and cash of up to RMB2,100 million.

Other parties' participation in the Qianhai-Shekou Free Trade Zone include, among others:

(1) the injection into the Joint Venture Company of certain land parcels and cash of up to RMB12,900 million by certain members of the CMG Group; and

(2) the injection into the Joint Venture Company of certain land parcels by QHSH.

Up to the date of issuance of this condensed interim consolidated financial information, the Group has disposed of the land parcels with cash and land considerations yet to be received and the other transactions by various parties involved have not yet been completed.

(x) During the six months ended 30 June 2018, the Company disposed of its entire interest in Shenzhen Chiwan Group to certain subsidiaries of CMG for a total cash consideration of HK$5,410 million.

(xi) During the six months ended 30 June 2018, the Company acquired 50% interests in the Port of Newcastle from China Merchants Union (BVI) Limited and its subsidiary for a total cash consideration of HK$3,488 million.

(xii) As at 30 June 2019, the Group placed deposits of HK$1,278 million (31 December 2018: HK$963 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the period, interest income from CMB amounted to HK$7 million (2018: HK$11 million).

There was no borrowing from CMB as at 30 June 2019 (31 December 2018: Nil).

The balances with entities within CMG Group as at 30 June 2019 are disclosed in notes 16, 18 and 19.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(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.

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

	Six months ended 30 June	
	2019	2018
	HK$'million	HK$'million
Interest expense paid (Note)	**14**	11

Note: Interest expense was charged at interest rates as specified in note 18(b) on the outstanding loan from a non-controlling equity holder of a subsidiary.

The balances with a non-controlling equity holder of a subsidiary as at 30 June 2019 and 31 December 2018 are disclosed in note 18.

(d) Key management compensation

	Six months ended 30 June	
	2019	2018
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**13**	12

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