



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

INTERIM REPORT 2007 中期報告

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# KEY PORTS OPERATIONS OF CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

招商局國際有限公司之主要營運碼頭



#### Bohai Coastal Area

##### 環渤海地區

- Tianjin Five Continents Int'l Container Terminal  
天津五洲國際集裝箱碼頭
- China Merchants Int'l Terminal (Qingdao)  
招商局國際青島碼頭

#### Yangtze River Delta

##### 長三角地區

- Shanghai Int'l Port (Group)  
上海國際港務(集團)
- Ningbo Daxie Terminal  
寧波大榭招商國際碼頭

#### Xiamen Bay Economic Zone

##### 廈門灣經濟區

- Zhangzhou China Merchants Port  
漳州招商局碼頭

#### Pearl River Delta

##### 珠三角地區

- China Merchants Port Services  
招商港務
- Chiwan Container Terminal  
赤灣集裝箱碼頭
- Shenzhen Mawan Project  
深圳媽灣項目
- Mega SCT  
蛇口集裝箱碼頭
- Shenzhen Chiwan Wharf  
赤灣港航
- Shenzhen Haixing  
深圳海星碼頭
- China Merchants Container Services  
招商局貨櫃服務
- Modern Terminals  
現代貨箱碼頭

# CORPORATE INFORMATION

## About China Merchants Holdings (International) Company Limited

### Board of Directors

Dr. Fu Yuning  
*(Chairman and Managing Director)*

Mr. Li Yinquan

Mr. Hu Zheng

Mr. Meng Xi

Mr. Su Xingang  
(appointed on 25 May 2007)

Mr. Hu Jianhua  
(appointed on 25 May 2007)

Mr. Wang Hong

Mr. Yu Liming

Mr. To Wing Sing

Mr. Tsang Kam Lan\*

Mr. Kut Ying Hay\*

Mr. Lee Yip Wah Peter\*

Mr. Li Kwok Heem John\*

Mr. Li Ka Fai David\*  
(appointed on 1 June 2007)

Mr. Zhao Huxiang  
(resigned on 25 May 2007)

\* *independent non-executive director*

### Registered Office

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

### Company Secretary

Mr. Leung Chong Shun, Practising  
Solicitor

### Principal Bankers

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

### Auditor

PricewaterhouseCoopers

### Legal Adviser

Linklaters LLP

### Stock Code

0144

### Registrars

Computershare Hong Kong Investor  
Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Website

<http://www.cmhi.com.hk>

# FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2007

	2007 HK\$'million	2006 HK\$'million	Increase/ (Decrease)
<b>Income statement highlights</b>			
Turnover <sup>1</sup>	12,110	8,294	46.0%
Profit attributable to shareholders	1,520	1,205	26.1%
Non-recurrent net gains, net of tax	(3)	(28)	(89.3%)
Recurrent Profit	1,517	1,177	28.9%
Earnings per share (HK cents)			
Basic	65.07	53.00	22.8%
Diluted	64.62	52.83	22.3%
Dividend per share (HK cents)			
Interim dividend	20.00	17.00	17.6%
<b>Cash flow statement highlights</b>			
Net cash inflow from operating activities	1,545	512	201.8%
Net cash inflow from provision of finance to associates, jointly controlled entities and an investee	236	275	(14.2%)
Recurrent net cash inflow	1,781	787	126.3%
	<b>30 June 2007 HK\$'million</b>	<b>31 December 2006 HK\$'million</b>	
<b>Balance sheet highlights</b>			
Total assets	43,417	35,086	
Capital and reserves attributable to the shareholders of the Company	23,938	20,921	
Net interest bearing debts <sup>2</sup>	7,940	7,944	

	2007 HK\$'million	2006 HK\$'million	Increase
<b>Turnover<sup>1</sup></b>			
Ports operations	5,053	3,889	29.9%
Ports-related operations	6,664	4,053	64.4%
Other operations	393	352	11.6%
<b>Total</b>	<b>12,110</b>	<b>8,294</b>	<b>46.0%</b>
<b>EBITDA<sup>3</sup></b>			
Ports operations	2,229	1,727	29.1%
Ports-related operations	550	418	31.6%
Other operations	276	234	17.9%
<b>EBITDA</b>	<b>3,055</b>	<b>2,379</b>	<b>28.4%</b>
Unallocated expenses <sup>4, 5</sup>	(84)	(46)	82.6%
Net interest expenses <sup>4</sup>	(355)	(241)	47.3%
Taxation <sup>4</sup>	(288)	(226)	27.4%
Depreciation and amortisation <sup>4</sup>	(613)	(516)	18.8%
<b>Profit for the period</b>	<b>1,715</b>	<b>1,350</b>	<b>27.0%</b>
Minority interest	(195)	(145)	34.5%
<b>Profit attributable to shareholders</b>	<b>1,520</b>	<b>1,205</b>	<b>26.1%</b>

1. Include turnover of the Company, its subsidiaries and share of turnover of its associates and jointly controlled entities.
2. Interest bearing debts less cash and cash equivalents.
3. Earnings before net interests, tax, depreciation and amortisation, unallocated income less expenses and minority interest ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities.
4. Include the respective items of the Company and its subsidiaries, and its share of the respective items of associates and jointly controlled entities.
5. Exclude unallocated interest income.

# MANAGEMENT DISCUSSION AND ANALYSIS

Through in-depth integration of port resources and sustained enhancement of internal control measures, the Group has continued to improve its port handling capacity and operation efficiency, thereby meeting more customer needs whilst optimizing returns to the Group.

## OPERATIONS REVIEW

In the first half of the year under review, global economy has been progressing well alongside strong demand from markets in Europe and the US, thus further fueling sectors like terminal operation and shipping. Since the beginning of 2007, not only have most major shipping routes such as Asia-European, Asia-North American and Japan recorded satisfactory slot utilisation ratios. That the European and American routes have often maintained full loads has also given container freight rates a strong impetus to trend resiliently up. This has further boosted the confidence of this market on the prospects of the maritime transportation industry, in turn calling for further development for ports operations globally in order to meet the perceived increasing demand.

The sustained growth of China's economy and of its international trades has become a major driving force for the development of the ports business globally. Data published by the National Bureau of Statistics reveal that the GDP and gross value of foreign trade imports and exports of Mainland China in the first half of 2007 grew respectively by 11.5% and 23.3% over those for the same period last year, reflecting the continuingly strong growth in economic progress and in trade. Driven by such sustained growth, China's container throughput volume rose very rapidly. The throughput volume growth has, in addition, been intensified during the period under review by the export rush resulted from requests

by cargo owners - in response to the State's recently-announced adjustment policy for export tax rebate — to make deliveries ahead of schedule. According to the statistical data released by the Ministry of Communications, in the first half of 2007, Chinese ports that are above the standard size handled in total 52.53 million TEUs of containers, representing respectively an increase of 24.1% over the same period last year, as well as an increase of 1.7 percentage points in the throughput's growth rate when compared to that of last year. Growth rates in container throughputs in the major coastal ports have also demonstrated increases of varying magnitude.

The Group stands to benefit, and has been benefiting, from China's flourishing economic progress and trade. With its ports operations well established at strategic locations in China, the Group increasingly focuses on optimizing customer satisfaction by offering quality services. Simultaneously as the Group consolidates and develops its container operations at hub locations, it has been diligently exploring business opportunities that could expand its capabilities by offering comprehensive and quality services for both container and bulk cargo handling operations. This is expected to be through participation in port operations handling resources and energy commodities of quality and scale. Corresponding with respectively the globalisation trends in international trades and market demands in China, the Group has systematically and steadily implemented its development and operation strategies for container





businesses. Through in-depth integration of port resources and sustained enhancement of internal control measures, the Group has continued to improve its port handling capacity and operation efficiency, thereby meeting more customer needs whilst optimizing returns to the Group. Supported by the favorable external market environment, the Group has been able to implement operational improvement measures, thereby enabling the Group to achieve satisfactory growth performance during the first six months in 2007.

For the first six months of 2007, profit attributable to shareholders amounted to HK\$1,520 million, representing an increase of 26.1% over the same period last year. Of this amount, the Group's recurrent profit, net of exceptional items, was approximately HK\$1,517 million, representing an increase of 28.9% over the same period last year. EBITDA<sup>1</sup> derived from ports operations amounted to HK\$2,229 million, representing an increase of 29.1% over the same period last year and accounting for 73.0% of the Group's overall EBITDA<sup>1</sup>, comparing to a corresponding figure of 72.6% last year.

For the first six months of 2007, the Group recorded a turnover of HK\$2,863 million, representing an increase of 69.0% over the same period last year. In the first half of this year, the Group completed the integration of equity interests of phase I, phase II and phase III of

Shekou Container Terminal, with significant increase in the turnover from ports operations, reaching HK\$1,461 million, and representing an increase of 76.4% over the same period last year.

### Review of Ports Operations

For the first six months of the year under review, the Group's EBIT<sup>2</sup> derived from the ports operations amounted to HK\$1,741 million, an increase of 34.4% over the same period last year and accounting for 71.3% of the Group's overall EBIT<sup>2</sup>.

At present, the Group's ports portfolio pans out to cover most major coastal hub locations in the PRC. Based on the statistics of container throughput handled by the port projects in which the Group has invested, the Group has become the largest container terminal operator in Mainland China. In the first half of 2007, the Group's ports handled a total container throughput of 22.16 million TEUs, representing a period-on-period increase of approximately 20%. Projects in Mainland China and in Hong Kong have respectively handled container throughput of 18.82 million TEUs and 3.34 million TEUs, representing a period-on-period increase of respectively 23% and 4%. With reference to statistical data published by the Ministry of Communications and by Hong Kong Marine Department, the Group's market share of container throughputs in China and Hong Kong was approximately 36% and 29% respectively during the first half of this year.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the throughput growth achieved by each of the Group's container operations in various locations has, in each case, exceeded that achieved collectively by all the ports in the relevant location. Among these, the Group's Western Shenzhen ports handled 4.98 million TEUs, a period-on-period growth of approximately 15% and reflecting consecutively a market share of over 51% of the entire Shenzhen throughput. The Group's Ningbo Daxie Terminal achieved 0.31 million TEUs, an increase of almost three times with the terminal accounting for 7% of Ningbo's total market share, a jump from 4% for the same period last year. Tianjin Five Continents Terminal handled 0.91 million TEUs, revealing a growth rate of over 23% and a market share of 27% of the entire Tianjin throughput. The business volume of Zhangzhou Container Terminal has seen accelerated growth, having achieved 0.1 million TEUs during the first half of 2007, which represented an increase of close to 57% when

compared to the same period last year. Container volume handled by SIPG continued to trend upward in scale, recording an increase in the first half of 2007 of over 24% when compared to the same period last year.

Through on-going efforts of integration and consolidation, the Group's Western Shenzhen ports have shown remarkable progress in expanding their commercial activities. During the period under review, Western Shenzhen district saw a net addition of 12 international shipping routes servicing terminals dedicated to handle international trades, making the total number of liner routes to 117, thus further elevating the Western Shenzhen ports' reach-out to its customers. The successful realignment of the Group's equity interests in and the business operations of Shekou Container Terminal has significantly enhanced the Group's international operation at Western Shenzhen ports district. In the first half of 2007, Shekou Container Terminal handled 1.39 million



TEUs, which throughput volume reflected a significant increase of 22% over the same period last year. Having regard to the growth potential in the container market brought about by China's domestic trade in the future, the Group has continued to strengthen its existing market positioning in this segment at Western Shenzhen ports district while proactively exploring, and implementing, opportunities relating to same-vessel stevedoring activities for both international and domestic trades within the location.

Stemmed from the business platform already established in Southern China, the Group has systematically rolled out the development endeavours for the ports business in the Yangtze River Delta, Bohai Rim and Xiamen Bay. Based upon the attitude of mutual benefits to realize mutual successes, the Group has proactively strengthened the co-operation with local ports operators and other corporations engaged in ports or maritime sectors. During the first half of 2007, efforts by the Group to, jointly with Xiamen Ports Authority, push for the unification of Xiamen and Zhangzhou ports, to which, hence, same regulatory policies to be applicable, have secured actual results. In Ningbo, meaningful progress has been achieved in establishing inter-active co-operation for the city's container handling market. In Tianjin, agreement has been reached with the Tianjin Ports Group for further cooperation in the ports logistics business. The rolling out and implementation of the above have provided a needed platform which enables the Group to continue, on a healthy basis, to develop its ports business in future and to seek, where possible, further cooperation with the relevant parties in future.

China's economy continuing to develop and its domestic needs continuing to expand offers the potential for bulk cargo terminal handling business, especially for resource- and energy- related bulk commodities, to grow. At the same time as the Group continues to expand its container terminal operations, it will also be actively developing quality stevedoring operations for bulk cargoes that possess high growth characteristics and offer steady investment return. Currently, apart from those conducted by Shanghai International Ports (Group) Co., Ltd ("SIPG"), the Group's bulk handling businesses are mainly undertaken by its operations in Shenzhen and Zhangzhou, where the Group has established competitive edges in the respective markets for grains and feeds, steel, iron ore and timber. For the first six months of 2007, the Group's bulk cargo terminals handled a total of 77.52 million tons of goods, representing an increase of 7% over the same period last year. In particular, the Group's Zhangzhou Terminal has evidenced a strong growth during the period with approximately 32% increase in cargo volume handled, due mainly to efforts dedicated towards intensifying business relationship with its customers. Aimed towards increasing the utilisation rate of resources, offering more efficient services to customers while ensuring business partners' interests are protected, the Group has, since the first half of 2007, endeavoured to unify the operations for its bulk cargo terminals so as to facilitate the cross-calling of stevedoring vessels between terminals. This arrangement has not only ensured vessels during port callings were attended to with efficiency, but also, in effect resulted in the stevedoring rates being stabilized or even raised - all in all optimizing the benefit of the Group to a certain extent.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of port related operations

The business of China International Marine Containers (Group) Ltd. ("CIMC"), of which the Group is its single largest shareholder, continued to be supported by developments of the maritime industry. It sold 1.02 million TEUs in the first half of this year, an increase of 32% over the same period last year. Of these, sales of dry bulk cargo containers and reefers increased by 31% and 102% respectively. The special vehicle business of CIMC's wholly-owned vehicle subsidiary has displayed a rapidly expanding capability with sales of 62 thousand units in the first half of this year, representing a significant increase of 48% over the same period last year. This segment has emerged as a new but fast growing operation for CIMC that offers long-term development prospect.

The Group's Hempel-Hai Hong (China) Limited, a major manufacturer in container paints and marine paints in China, has maintained its strong market competitive advantage, working closely with the maritime industry. In the first half of 2007, it achieved a total sale of 56.17 million litres of paints, of which sales of container paints amounted to 35.62 million litres, representing a period-on-period increase of 69%.

### Review of Asia-Pacific operations of CMHP

The Group's 72% owned subsidiary, China Merchants Holdings (Pacific) Limited ("CMHP"), a company listed in Singapore, owns equity interests in four toll road operations in Mainland China. It recorded a traffic flow of 15.15 million vehicles during the first half of this year, representing an increase of 7% over the same period last year. Profit contribution of CMHP to the Group during the period under review amounted to HK\$102 million, representing an increase of 3% over the same period last year.



The Group has over the years been dedicating its resources towards developing its ports and ports-related operations. In line with the need to further streamline its business segments in order to further strengthen the development of its core businesses, the Group completed the sale of its entire equity interests in CMHP on 11 July 2007. Exceptional gains derived from this disposal will be reported in the Group's financial statements for the fiscal year ending 31 December 2007.

### Prospects and Outlook

Relevant economic data so far published reflected that the global economy has maintained a sustainable growth momentum during the first half of 2007. The Organisation for Economic Cooperation and Development ("OECD") estimated that global trade has for the first two quarters of this year grown at approximately 6.7% and 7.7% respectively. It is expected that the global economy will continue its growth momentum during the second half of 2007. While the market is concerned about the impact on the global economy that might be brought about by a slowdown of the US economy, the Group is of the opinion that such impact could, to a certain extent, be offset by the growth achieved by the European Union and Japan, and the rapid growth of the emerging economies. In addition, the Group believes that the sustainable

growth of Asian countries and regions driven in the main by their respective domestic demands will emerge as a key impetus to fuel the growth engine of the global economy. In the meantime, China's economy and foreign trade have continued to grow rapidly during the first half of 2007, although this growth trend is likely to be impacted by the introduction of macro-economic adjustment policy and export tax rebate policy, and the expected continuing appreciation of Renminbi. The Group maintains that on balance China's economy remains healthy on the development track and that the second half of 2007 is unlikely to experience huge volatility alongside a relatively steady growth.

A sustainably growing economy, which is essential for China to ensure a stable social and economic environment, also supports the healthy development of the ports business. Moreover, with the maritime industry traditionally peaking during the second half of a year, the Group anticipates its ports operations to continue to achieve satisfactory performance during the second half of 2007.

The economic momentum currently exhibited by China's major economic regions suggests that the productivity at the Pearl River Delta, as depicted from its economic development and trade volume, still ranks ahead of other regions. The Pearl River Delta possesses well-developed processing industries showing obvious characteristics of an export-led economy, which greatly supports the ports business that anchors on the development of the local economy and its international trade volume. Therefore, in response to the growth-led changes, the Group will push to upgrade the ancillary facilities and service functions in its Western Shenzhen ports district, expand the network coverage by the South China shuttle barge system, and intensify the integration between terminals by leveraging on the interactive advantages of Qianhaiwan Logistic Park and various terminal operations, with a view to further consolidating the operation scale for ports in south

China. The Group remains optimistic about the prospects in south China and has reached a mutual understanding with parties concerned to jointly develop the container terminal named as Phase II of Shenzhen Dachan Bay. In addition, the Group is also actively studying the development plan for the site with designated terminal use at Shenzhen Qianhaiwan so as to provide ground for future expansion.

In recent year, the Yangtze River Delta has seen very rapid development, which reflects strong economic momentum and allows the region to play an important role in the development process of China's modernisation. With a relatively high standard of urbanization and a comprehensive municipal system, the Yangtze River Delta lies at the stage of post-industrialised development. Structural upgrading of conventional pillar industries through the application of high and new technologies could facilitate the turn of the Yangtze River Delta to a new-styled manufacturing base for the world. The Group maintains that the Yangtze River Delta is capable of becoming not only a key growth engine for the region but also an economically vibrant zone in the Asia-Pacific, thus making it an outward economy that is internationally competitive. Impacted by the high-growth hinterland, ports in the Yangtze River Delta, led by those in Shanghai and Ningbo, have recorded fast growth in container throughputs. The Group has, capitalising on this historic opportunity, actively sought to participate in the terminal operation business at the Yangtze River Delta. On the one hand, the Group through its interest in SIPG shares the benefits from Shanghai Port's operation performance. On the other hand, the Group through its investment in Ningbo Daxie Terminal participates in the competition and development of the Ningbo market with the anticipated performance results. The Group expects that the implementation of the Yangtze River Delta strategies will stimulate

## MANAGEMENT DISCUSSION AND ANALYSIS



and support the development and expansion of the Group's ports business, which in turn will enable the Group to continually benefit from the robust and sustainable economic growth in the Yangtze River Delta.

The Group's investment in Tianjin's container terminal and Qingdao's port-logistics park project represents an important step in the implementation of its ports strategy for the Bohai Rim. Currently, the Tianjin project and the Qingdao project are at the respective stage of fully operational and inauguration. The Bohai Economic Rim, stretching over five provinces and two municipalities, namely Beijing and Tianjin, offers tremendous potential in terms of market size and economic growth. Of particular significance is that the State is actively promoting the establishment of Binhai New Zone in Tianjin, which the State intends to, like Pudong of the Shanghai Municipality, include in the country's entire mapping for strategic development. The objective in so doing is to leverage off the momentum established by the Beijing and Tianjin municipalities in order to motivate the economic development and trading activities and ports business in the

proximity. Alongside an expanding economy in the region together with increasing volume in international trade, the Group expects the growth potential in the ports sector in the Bohai Rim region to be released. At the same time as it focuses its attention to the ports business, the Group is also actively studying or participating in the development of ports' ancillary bonded logistics parks. The Group is of the view that the development and construction of Binhai New Zone in Tianjin will stimulate the growth of comprehensive logistics operations for the terminal and maritime sectors. During the first half of 2007, therefore, the Group entered into an agreement with Tianjin Ports Company Limited to jointly develop the Tianjin Dong Jiang Bonded Logistics and Processing Park. The Group believes that this investment will help establish the Tianjin port as the international maritime center for northern China and, in turn, help enhance the Group's strategic positioning in Tianjin, or even in the Bohai Rim.

China's ports sector still offer lucrative opportunities. It is the Group's intention to actively continue to seek quality port projects in Mainland China, in addition to efforts to add new handling

capacity (based on prevailing market demand) so as to optimize the benefit of scale while diligently ensuring that the bonded logistics parks supplement and support the terminals' capability and that such collaboration between the two functions continues to develop. Moreover, based upon the strategic investment positioning panned out along the coastal ports of China during recent years, the Group, as a listed company majority-controlled by the state-owned China Merchants Group, intends to gradually roll out its development strategy in the overseas ports sector through the adoption of a systematic approach in identifying regional gateway targets with high growth potential while adhering to an investment principal that balances safety and growth potential. During the first half of 2007, China Merchants Group, the parent of the Group, has signed a Co-operation Memorandum of Understanding with Vietnam National Shipping Lines to jointly develop Vietnam's Ben Dinh Sao Mai Seaport and related establishments. According to China Merchants Group's division of sectoral responsibilities, involvements in ports are to be invested and operated by the Group. The Group maintains that, as an ASEAN member and one of the fastest growing countries in both its economic development and foreign trade in the Asia-Pacific region, Vietnam and its ports sector offer tremendous development potential and prospect. Implementing this will become the Group's first overseas port development project. The Group in addition will also closely monitor the development trends of the ports sector overseas with a view to making new investments as and when suitable opportunity arises.

Simultaneously as it is developing in a significant manner its container handling operations, the Group appreciates that, notwithstanding that container business has in recent years become the key focus for ports development, bulk cargo handling - especially that servicing the large bulk resource- or energy-related commodities — offers defined potential and prospects for development particularly if assessed from the perspective of China's development strategy and needs. As a major production and consumption state, China's demand for large bulk cargoes is huge, and its requirements for inbound and outbound materials of strategic importance are essential. Differentiating factors like operational mode, stevedoring efficiency and transportation costs combined means that transportation for this type of large bulk cargoes remains irreplaceable by containers. The Group has, as a result, identified dedicated terminals for resource- and energy-related dedicated bulk cargoes terminals as one of its future development focuses. By combining resources in capital and technology, and by capitalising on the advantages of the Group's existing logistics chain through its ports portfolio, the Group aims to bridge the gap currently existing in resource and energy shortages. The Group is of the view that operating dedicated terminals for large bulk cargoes within the framework of and supported by national strategies and state policies offer substantial room for growth in future. The Group intends to, over time, implement and execute the relevant investment deployments based on the respective characteristics of regional economies and taking account of the development plan for the ports sector laid down by the Ministry of Communications.

## MANAGEMENT DISCUSSION AND ANALYSIS

As for ports-related operations, the Group aims to enhance the communications and co-operations between shareholders of the relevant investee projects. It will, as before, guide the development strategies of CIMC and Hempel-Hai Hong paints and promote synergies between the related businesses. In addition, the Group will encourage the reasonable expansion of CIMC's vehicle operations on the basis of the stable and steady investment principal being, as before, applied.

The Group takes as key objective to maximise investors' interests. Through integrating the Group's internal resources, improving the operation of dedicated terminals, upgrading and enhancement of service functions, intensifying internal control, streamlining corporate governance structure, and adopting a conservatively steady strategy for overseas expansion, the Group aims to continue to elevate its operational capability and competitive strength of its core ports business, thereby enhancing the Group's asset value and, in turn, offering satisfactory investment return to shareholders.

1. Earnings before net interests, tax, depreciation and amortisation, unallocated income less expenses and minority interest ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities.
2. Earnings before net interests and tax, unallocated income less expenses and minority interest ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities.

### INTERIM DIVIDEND

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 20 HK cents per share in scrip form for the period, represents a dividend payout of 31.5%. The interim dividend will be paid on or around 28 November 2007 to shareholders whose names appear on the Register of Members of the Company on 12 October 2007, with an alternative to the

shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment (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 26 October 2007. 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 certificates for the new shares will be despatched to shareholders on or around 28 November 2007, and dividend warrants will also be dispatched on the same date to shareholders who have elected to receive the interim dividend (or part thereof) in cash.

### CLOSURE OF REGISTER

The Register of Members will be closed from 8 October 2007 to 12 October 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 October 2007. The interim dividend will be paid on or around 28 November 2007 to shareholders whose names appear on the Register of Members of the Company on 12 October 2007.

### LIQUIDITY AND TREASURY POLICIES

As at 30 June 2007, the Group held approximately HK\$1,221 million in cash, 44.5% of which was denominated in Hong Kong dollars, 4.6% in US dollars and 50.9% in Renminbi.



The Group's source of funds is mainly derived from its operating activities related to ports and ports-related businesses and investment returns from associates and jointly controlled entities, contributing HK\$1,545 million in total. For the first half of the year, the Group incurred more than HK\$3,036 million in capital expenditure (of which HK\$34 million was financed by bank loans). While the Group has been expanding its investment, the Group continues to adopt a prudent financial policy. The Group is currently financially sound and has sufficient funds to meet its daily operating requirements. Besides, as most of the Group's bank loans are medium-to-long-term borrowings while the Group does not anticipate any difficulty in renewing short-term loans, thus the pressure for repaying the short-term loans is limited.

## SHARE CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2007, the Company had 2,389,097,168 shares in issue. During the period, the Company issued 4,829,000 new shares upon the exercise of share options and received HK\$74 million as a result. Other than the above-mentioned newly issued shares, the Company issued 50,988,000 shares in June 2007 for the acquisition of Elite Vantage Investments Limited.

As at 30 June 2007, the Group had total outstanding interest-bearing debts of HK\$9,161 million, of which HK\$3,547 million were repayable within one year, whilst the remaining HK\$5,614 million were medium to long term borrowings. Existing bank loans equivalent to HK\$23 million were secured by assets of certain subsidiaries. The remaining interest bearing debts were unsecured. Other than the listed 10-year notes payable of US\$500 million issued by the Group in March 2005, all other loans were at floating interest rates.

As at 30 June 2007, the Group's gearing ratio (total interest-bearing debts divided by net assets) was about 38.3%.

83.2% of the interest-bearing debts were denominated in HK dollars and US dollars, while the balances were in Renminbi or local currencies. These debts were for the benefit of the member companies of the Group with repayment sourcing from income generated in local currencies. As such, the Group did not make use of any financial instruments to hedge against currency risks.

The Group held its assets mainly in HK dollars or Renminbi. The Board is of the view that, as the probability of Renminbi devaluation in the near future is minimal, it is not necessary for the Group to make any hedging arrangements for its foreign currency investments.

## ASSETS CHARGE

As at 30 June 2007, the Company did not have any charge over its assets. However, certain bank loans borrowed by the Company's subsidiaries were secured. Bank loans of HK\$23 million were secured by the property, plant and equipment with net book value at 30 June 2007 of HK\$81 million.

## EMPLOYEES AND REMUNERATION

As at 30 June 2007, the Company and its subsidiaries employed 4,997 full time staff, of which 198 were working in Hong Kong, 45 were working overseas and the remaining 4,754 were working in the PRC. The remuneration paid for the first half of the year amounted to HK\$275 million, representing 11.6% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to the conditions of the human resources market and the general economy.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job-related skills. Moreover, the Group offers year-end bonus as a reward to its staff for their efforts and contribution. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

### Shares and share options in the Company

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2007, 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 ("SFO"), as recorded in the register required to be kept by the Company under section 352 of the SFO were as follows:

Name of Director	Capacity	Nature of interest	Number of shares in the Company	Number of shares in the Company subject to share options granted	Percentage of aggregate long position in shares to the issued share capital of the Company as at 30 June 2007
Dr. Fu Yuning	Beneficial owner	Personal interest	1,489,029	400,000	0.079%
Mr. Li Yinquan	Beneficial owner	Personal interest	50,000	650,000	0.029%
Mr. Hu Zheng	Beneficial owner	Personal interest	—	700,000	0.029%
Mr. Meng Xi	Beneficial owner	Personal interest	—	900,000	0.038%
Mr. Su Xingang*	Beneficial owner	Personal interest	—	350,000	0.015%
Mr. Wang Hong	Beneficial owner	Personal interest	188,000	750,000	0.039%
Mr. Yu Liming	Beneficial owner	Personal interest	—	1,350,000	0.057%
Mr. To Wing Sing	Beneficial owner	Personal interest	—	380,000	0.016%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	138,646	—	0.006%
Mr. Li Kwok Heem John**	Interest of spouse	Family interest	1,393,923	—	0.058%
			<b>3,259,598</b>	<b>5,480,000</b>	<b>0.366%</b>

\* Mr. Su Xingang was appointed director of the Company with effect from 25 May 2007.

\*\* Mr. Li Kwok Heem John is deemed to be interested in the shares which are held by a trust in which his spouse is a beneficiary.

Share options in China Merchants Holdings (Pacific) Limited (“CMHP”), an associated corporation of the Company

Name of Director	Capacity	Nature of interest	Number of shares in CMHP	Number of shares in CMHP subject to share options granted	Percentage of aggregate long position in shares to the issued share capital of CMHP as at 30 June 2007
Mr. Wang Hong	Beneficial owner	Personal interest	—	1,200,000	0.27%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2007, 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 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 (“Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), to be notified to the Company and the Stock Exchange.

Apart from the share option schemes disclosed below, none of the directors or their spouses or children under the age of 18 had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations or had exercised any such right during the period.

## Share Option Schemes

### (a) Existing Scheme

Under the share option scheme (the “Existing Scheme”) approved by the shareholders of the Company at an extraordinary general meeting of the Company held on 20 December 2001, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates (the “Eligible Persons”), to take up options to subscribe for fully paid ordinary shares (the “Shares”) in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by China Merchants Holdings (Hong Kong) Company Limited, an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies (together, the “CMHK Group”), the Board considered that it is in the best interest of the Company to extend the Existing Scheme to directors and employees of members of the CMHK Group. A resolution was passed at the extraordinary general meeting of the Company held on 27 August 2002 to amend the Existing Scheme to effect such extension of Eligible Persons.

## MANAGEMENT DISCUSSION AND ANALYSIS

Details of the share options outstanding as at 30 June 2007 which have been granted under the Existing Scheme are as follows:

Name	Date of grant	Exercise price HK\$	Options held as at 1 January 2007	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Other changes during the period	Options held as at 30 June 2007
<b>Director</b>								
Dr. Fu Yuning	25 May 2006	23.03	800,000	—	(400,000)	—	—	400,000
Mr. Li Yinquan	27 October 2004	11.08	450,000	—	(200,000)	—	—	250,000
	25 May 2006	23.03	400,000	—	—	—	—	400,000
Mr. Hu Zheng	27 October 2004	11.08	300,000	—	—	—	—	300,000
	25 May 2006	23.03	400,000	—	—	—	—	400,000
Mr. Meng Xi	27 October 2004	11.08	500,000	—	—	—	—	500,000
	25 May 2006	23.03	400,000	—	—	—	—	400,000
Mr. Su Xingang*	25 May 2006	23.03	—	—	—	—	350,000*	350,000
Mr. Wang Hong	27 October 2004	11.08	250,000	—	(150,000)	—	—	100,000
	25 May 2006	23.03	650,000	—	—	—	—	650,000
Mr. Yu Liming	11 October 2002	4.985	350,000	—	—	—	—	350,000
	27 October 2004	11.08	500,000	—	—	—	—	500,000
	25 May 2006	23.03	500,000	—	—	—	—	500,000
Mr. To Wing Sing	25 May 2006	23.03	500,000	—	(120,000)	—	—	380,000
Mr. Zhao Huxiang <sup>#</sup>	27 October 2004	11.08	360,000	—	(360,000)	—	—	—
	25 May 2006	23.03	400,000	—	—	—	(400,000) <sup>#</sup>	—
			<b>6,760,000</b>	<b>—</b>	<b>(1,230,000)</b>	<b>—</b>	<b>(50,000)</b>	<b>5,480,000</b>

Name	Date of grant	Exercise price HK\$	Options held as at 1 January 2007	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Other changes during the period	Options held as at 30 June 2007
Continuous contract employees								
(I) The Group	11 October 2002	4.985	450,000	—	(100,000)	—	—	350,000
	27 October 2004	11.08	3,903,000	—	(1,267,000)	—	—	2,636,000
	25 May 2006	23.03	20,070,000	—	(1,216,000)	—	—	18,854,000
	21 June 2006	20.91	150,000	—	—	—	—	150,000
(II) The CMHK Group	11 October 2002	4.985	200,000	—	(100,000)	—	—	100,000
	27 October 2004	11.08	3,090,000	—	(856,000)	—	—	2,234,000
	04 May 2005	15.31	200,000	—	(200,000)	—	—	—
	25 May 2006	23.03	15,920,000	—	(100,000)	—	50,000	15,470,000
			<u>43,983,000</u>	<u>—</u>	<u>(3,839,000)</u>	<u>—</u>	<u>50,000</u>	<u>40,194,000</u>
			<u>50,743,000</u>	<u>—</u>	<u>(5,069,000)</u>	<u>—</u>	<u>—</u>	<u>45,674,000</u>

\* Mr. Su Xingang was appointed director of the Company with effect from 25 May 2007.

# Mr. Zhao Huxiang resigned as director of the Company with effect from 25 May 2007.

*Note:*

1. The above outstanding share options can be exercised at any time during a period of 10 years commencing on the date of grant of the options.
2. The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK\$34.24.
3. No options were granted during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (b) *China Merchants Holdings (Pacific) Limited – 2002 Scheme*

The Share Option Scheme 2002 of CMHP (the “CMHP 2002 Scheme”) was approved and adopted by the members of CMHP at an extraordinary general meeting held on 30 May 2002 and modifications to the CMHP 2002 Scheme were approved by the members of CMHP at an extraordinary general meeting held on 27 April 2006 and by the shareholders of the Company on 26 May 2006.

CMHP’s employees (including executive directors), non-executive directors, parent company employees and associated company employees, subject to certain conditions, are eligible to participate in the CMHP 2002 Scheme. Controlling shareholders and their associates are not eligible to participate in the CMHP 2002 Scheme.

Details of the share options outstanding as at 30 June 2007 which have been granted under the CMHP 2002 Scheme are as follows:

Name	Date of grant	Exercise price HK\$	Options held as at 1 January 2007	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Other changes during the period	Options held as at 30 June 2007
Director								
Wang Hong	6 October 2006	0.789	1,200,000	—	—	—	—	1,200,000
Continuous contract employees								
	10 February 2003	0.5	500,000	—	—	—	—	500,000
	6 October 2006	0.789	11,150,000	—	—	—	—	11,150,000

The above outstanding share options can be exercised at any time during a period of 5 or 10 years commencing on the date of grant of the options.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, 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 by the Company under section 336 of the SFO:

### Long Positions

Name of substantial shareholder	Nature of interest	Ordinary Shares held	Percentage of total issued shares
China Merchants Group Limited	Interest of Controlled Corporation	1,341,768,949 <sup>1,2</sup>	56.16%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,194,928,479 <sup>2</sup>	50.02%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,194,928,479 <sup>2</sup>	50.02%
China Merchants Union (BVI) Limited	Beneficial Owner	1,164,476,497 <sup>1,2</sup>	48.74%
Top Chief Company Limited	Interest of Controlled Corporation	146,840,470 <sup>2</sup>	6.15%
China Merchants Shekou Industrial Zone Company Limited	Interest of Controlled Corporation	146,840,470 <sup>2</sup>	6.15%
Orienture Holdings Company Limited	Beneficial Owner	20,406,034 <sup>1</sup>	6.91%
	Interest of Controlled Corporation	144,720,603 <sup>1,2</sup>	
Super Talent Group Limited	Beneficial Owner	124,314,569 <sup>1,2</sup>	5.20%

#### Notes:

- China Merchants Group Limited is deemed to be interested in 1,341,768,949 Shares, which represents the aggregate of 1,164,476,497 Shares held by China Merchants Union (BVI) Limited, 13,593,283 Shares held by Cm Development Limited ("CmD"), 16,858,699 Shares held by Best Winner Investment Limited, 20,406,034 Shares held by Orienture Holdings Company Limited ("OHC"), 124,314,569 Shares held by Super Talent Group Limited and 2,119,867 Shares held by Orienture International Financing Limited.

OHC is deemed to be interested in the 124,314,569 Shares held by Super Talent Group Limited.

- China Merchants Group Limited is deemed to be interested in the Shares held by its wholly-owned subsidiaries Orienture International Financing Limited, Super Talent Group Limited, OHC, Top Chief Company Limited, China Merchants Shekou Industrial Zone Company Limited, CmD, Best Winner Investment Limited, China Merchants International Finance Company Limited, China Merchants Union (BVI) Limited, China Merchants Holdings (Hong Kong) Company Limited and China Merchants Steam Navigation Company Limited.

OHC is deemed to be interested in the Shares held by its wholly-owned subsidiary, Super Talent Group Limited.

### Short Positions

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CORPORATE GOVERNANCE

#### (a) Compliance with the Code on Corporate Governance Practices

During the period, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the following:

##### *Code Provision A.2.1*

Code Provision A.2.1 provides that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Due to the resignation of Mr. Li Yi as an Executive Director and the Managing Director of the Company with effect from 31 May 2005, Dr. Fu Yuning, the Chairman of the Company, has also been acting as the Managing Director of the Company with effect from 31 May 2005. As explained in the announcement of the Company issued on 11 May 2005, the Board considers that as Dr. Fu has been leading and is more aware of the Company's strategic policies and development, it is in the best interests of the Company for Dr. Fu to act as the Managing Director pending the appointment of a new Managing Director to ensure continuity. During the Period, the Company has been actively identifying a separate individual to act as the Managing Director. However, given the importance of the role and function of the Managing Director, the Company requires more time to identify a suitable candidate with appropriate qualifications and experience and understanding of port and port-related business.

#### (b) Compliance with Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, they confirmed that all of them have complied with the required standard set out in the Model Code during the period.

### AUDIT COMMITTEE

The Audit Committee of the Company 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 financing reporting matters including the review of the unaudited interim report for the six months ended 30 June 2007.

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

For the period, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

By order of the Board

**Dr. Fu Yuning**

*Chairman*

Hong Kong, 19 September 2007



# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Note	Unaudited	
		2007 HK\$'million	2006 HK\$'million
<b>Continuing operations</b>			
Turnover	4	2,863	1,694
Cost of sales	7	(1,801)	(1,180)
Gross profit		1,062	514
Other gains, net	6	53	45
Other income	6	12	2
Distribution costs	7	(164)	(116)
Administrative expenses	7	(241)	(150)
Operating profit		722	295
Interest income		25	10
Finance costs	8	(277)	(183)
Share of profits less losses of			
Associates		1,198	1,023
Jointly controlled entities		39	103
Profit before taxation		1,707	1,248
Taxation	9	(134)	(36)
Profit for the period from continuing operations		1,573	1,212
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	10	142	138
Profit for the period		1,715	1,350
Attributable to:			
Shareholders of the Company			
– continuing operations		1,418	1,106
– discontinued operations		102	99
		1,520	1,205
Minority interest			
– continuing operations		155	106
– discontinued operations		40	39
		195	145
Profit for the period		1,715	1,350
Dividends	11	479	394

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		2007 HK\$'million	2006 HK\$'million
Earnings per share from profit attributable to the shareholders of the Company	12		
From continuing operations			
– basic (HK cents)		60.70	48.63
– diluted (HK cents)		60.28	48.47
From discontinued operations			
– basic (HK cents)		4.37	4.37
– diluted (HK cents)		4.34	4.36

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Note	Unaudited 30 June 2007 HK\$'million	Audited 31 December 2006 HK\$'million
<b>ASSETS</b>			
Non-current assets			
Goodwill	13	3,750	281
Property, plant and equipment	13	10,136	7,999
Investment properties	13	606	603
Leasehold land and land use rights	13	6,367	3,104
Interests in associates		13,789	12,645
Interests in jointly controlled entities		540	4,421
Other financial assets		862	917
Prepayment	14	—	2,066
Deferred tax assets		27	22
		<b>36,077</b>	<b>32,058</b>
Current assets			
Inventories		302	239
Development properties for sale		—	387
Debtors, deposits and prepayments	15	2,145	1,523
Tax recoverable		18	4
Cash and cash equivalents		1,221	781
		<b>3,686</b>	<b>2,934</b>
Non-current assets held for sale	10	3,654	94
		<b>7,340</b>	<b>3,028</b>
Total assets		<b>43,417</b>	<b>35,086</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2007 HK\$'million	Audited 31 December 2006 HK\$'million
<b>EQUITY</b>			
Capital and reserves attributable to the shareholders of the Company			
Share capital	16	239	233
Reserves	17	23,220	19,847
Proposed dividend	11	479	841
		23,938	20,921
Minority interest		1,934	2,522
Total equity		25,872	23,443
<b>LIABILITIES</b>			
Non-current liabilities			
Other financial liabilities	18	5,614	6,082
Non-current payable	19	320	320
Deferred tax liabilities		422	243
		6,356	6,645
Current liabilities			
Creditors and accruals	19	3,584	2,272
Taxation payable		31	21
Other financial liabilities	18	7,350	2,705
		10,965	4,998
Liabilities directly associated with non-current assets held for sale	10	224	—
		11,189	4,998
Total liabilities		17,545	11,643
Total equity and liabilities		43,417	35,086
Net current liabilities		(3,849)	(1,970)
Total assets less current liabilities		32,228	30,088

# CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 June 2007

	Note	Unaudited	
		2007 HK\$'million	2006 HK\$'million
Share of investment revaluation reserves of associates and jointly controlled entities		698	1
Share of net actuarial gains on defined benefit plan of associates		16	—
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities		742	(36)
Increase in fair value of available-for-sale financial assets		192	33
Effect of change in tax rate on assets revaluation		(17)	—
Assets revaluation arising from reclassification of interests in jointly controlled entities	21	83	—
Net income/(losses) recognised directly in equity		1,714	(2)
Profit for the period		1,715	1,350
Total recognised income for the period		3,429	1,348
Attributable to:			
Shareholders of the Company		3,181	1,203
Minority interest		248	145
		3,429	1,348

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited	
	2007 HK\$'million	2006 HK\$'million
Net cash inflow from operating activities	1,545	512
Net cash used in investing activities	(289)	(518)
Net cash (outflow)/inflow from financing activities	(295)	123
Net increase in cash and cash equivalents	961	117
Cash and cash equivalents at 1 January	781	940
Effect of foreign exchange rate changes	15	—
Cash and cash equivalents at 30 June	1,757	1,057
Cash and cash equivalents at 30 June	1,757	1,057
Less: included in non-current assets held for sale	(536)	—
	1,221	1,057
Analysis of cash and cash equivalents		
Bank balances and cash	1,221	1,057

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

China Merchants Holdings (International) Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred as to the “Group”) are principally engaged in ports and ports-related operations which include container terminal operation, bulk and general cargo terminal operation, ports transportation, and paint and container manufacturing. The Group is also engaged in other operations which include toll road operation and property development and investment.

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

This condensed consolidated interim financial information was approved for issue on 19 September 2007.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

## 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those adopted in the annual financial statements for the year ended 31 December 2006.

Certain new Standards, amendments to Standards and interpretations of Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been published and are effective for financial year ending 31 December 2007. Those that are relevant to the Group’s operations are as follows:

HKFRS 7, “Financial Instruments: Disclosures”, and the amendment to HKAS 1 “Presentation of Financial Statements – Capital Disclosures”. HKFRS 7 introduces new disclosures to improve the information about financial instruments. The amendment to HKAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures are the sensitivity analysis to market risk and the capital disclosures required by the amendment to HKAS 1. Full disclosures as required will be disclosed in the 2007 annual financial statements.

HK(IFRIC)-Int 10, “Interim Financial Reporting and Impairment”. HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have material impact on the Group’s condensed consolidated interim financial information.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (Continued)

Other new Standards, amendments to Standards and interpretations which have been published and effective for financial year ending 31 December 2007 as set out below are currently not relevant to the Group's operations:

HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies"

HK(IFRIC)-Int 8, "Scope of HKFRS 2, Share-based payment"

HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives"

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but not yet effective for financial year ending 31 December 2007.

### 4 TURNOVER

The principal activities of the Group comprise ports operations, ports-related operations (including container manufacturing and related operations) and other operations (including toll road operation and property operation). Turnover recognised during the period are as follows:

	Six months ended 30 June	
	2007 HK\$'million	2006 HK\$'million
<b>Continuing operations</b>		
Ports service and transportation income, container service and container yard management income	1,461	828
Sale of paints and related goods	1,390	852
Gross rental income from investment properties	12	14
	<b>2,863</b>	<b>1,694</b>
<b>Discontinued operations</b>		
Sales of development properties	171	165
<b>Total</b>	<b>3,034</b>	<b>1,859</b>



## 5 SEGMENT INFORMATION

Primary reporting format – business segment:

The Group is organised into the following main business segment:

- (1) Ports operations include container terminal operation, bulk and general cargo terminal operation, ports transportation and airport cargo handling operation by the Group and the Group's associates and jointly controlled entities.
- (2) Ports-related operations include paint manufacturing by the Group and container manufacturing by the Group's associates.
- (3) Other operations include:
  - (a) toll road operation by the Group's jointly controlled entities;
  - (b) property development and investment by the Group; and
  - (c) dealing in securities by the Group.

There are no material sales or other transactions between business segment.

Secondary reporting format – geographical segment:

The Group's three business operations are managed in its headquarters in Hong Kong and other offices in Mainland China and New Zealand. Details of the Group's businesses operated in Hong Kong, Mainland China and New Zealand are as follows:

Hong Kong	–	ports operations, ports-related operations and property investment
Mainland China	–	ports operations, ports-related operations and toll road operation
New Zealand	–	property development
Others	–	dealing in securities

There are no material sales or other transactions between the geographical segment.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 SEGMENT INFORMATION (Continued)

#### (a) Primary reporting format – business segment

The amounts labelled under “Company and subsidiaries” below represent the Group’s turnover. The amounts labelled under “Share of associates” and “Share of jointly controlled entities” below represent the Group’s share of turnover of associates and jointly controlled entities respectively. An analysis of the Group’s turnover by business segment is as follows:

	Company and subsidiaries		Share of associates		Share of jointly controlled entities		Total	
	Six months ended 30 June							
	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million
<b>Continuing operations</b>								
Ports operations	1,461	828	3,484	2,843	108	218	5,053	3,889
Ports-related operations	1,390	852	5,274	3,201	—	—	6,664	4,053
Other operations								
Property	12	14	—	—	—	—	12	14
	2,863	1,694	8,758	6,044	108	218	11,729	7,956
<b>Discontinued operations</b>								
Toll road	—	—	—	—	210	173	210	173
Property	171	165	—	—	—	—	171	165
	171	165	—	—	210	173	381	338
	3,034	1,859	8,758	6,044	318	391	12,110	8,294

## 5 SEGMENT INFORMATION (Continued)

### (a) Primary reporting format – business segment (Continued)

An analysis of the Group's results, share of profits less losses of associates and jointly controlled entities by business segment is as follows:

	Company and subsidiaries		Share of profits less losses of associates		Share of profits less losses of jointly controlled entities		Total	
	Six months ended 30 June							
	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million
<b>Continuing operations</b>								
Ports operations	606	242	891	732	39	103	1,536	1,077
Ports-related operations	144	59	307	291	—	—	451	350
Other operations								
Property	56	33	—	—	—	—	56	33
Others	—	7	—	—	—	—	—	7
	56	40	—	—	—	—	56	40
	806	341	1,198	1,023	39	103	2,043	1,467
<b>Discontinued operations</b>								
Toll road	17	5	—	—	119	112	136	117
Property	13	28	—	—	—	—	13	28
	30	33	—	—	119	112	149	145
Segment results	836	374	1,198	1,023	158	215	2,192	1,612
Unallocated income less expenses							(84)	(46)
Interest income							32	10
Finance costs							(282)	(188)
Taxation							(143)	(38)
Profit for the period							1,715	1,350

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 SEGMENT INFORMATION (Continued)

#### (a) Primary reporting format – business segment (Continued)

An analysis of the Group's capital expenditure, depreciation and amortisation by business segment is as follows:

	Capital expenditure		Depreciation and amortisation	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
<b>Continuing operations</b>				
Ports operations	3,012	909	262	180
Ports-related operations	24	8	7	5
Property	—	—	2	2
	<b>3,036</b>	<b>917</b>	<b>271</b>	<b>187</b>
<b>Discontinued operations</b>				
Property	—	—	1	1
	<b>3,036</b>	<b>917</b>	<b>272</b>	<b>188</b>

## 5 SEGMENT INFORMATION (Continued)

### (a) Primary reporting format – business segment (Continued)

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

	Segment assets		Interests in associates		Interests in jointly controlled entities		Segment liabilities		Total	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Continuing operations										
Ports operations	21,974	14,424	10,575	9,804	540	1,919	(7,606)	(3,969)	25,483	22,178
Ports-related operations	1,616	1,220	3,214	2,841	—	—	(890)	(615)	3,940	3,446
Other operations										
Toll road	446	550	—	—	—	—	—	—	446	550
Property	615	655	—	—	—	—	(5)	(6)	610	649
Others	19	16	—	—	—	—	—	—	19	16
	1,080	1,221	—	—	—	—	(5)	(6)	1,075	1,215
	24,670	16,865	13,789	12,645	540	1,919	(8,501)	(4,590)	30,498	26,839
Discontinued operations										
Toll road	580	442	—	—	2,532	2,502	—	—	3,112	2,944
Property	540	450	—	—	—	—	(217)	(128)	323	322
	1,120	892	—	—	2,532	2,502	(217)	(128)	3,435	3,266
	25,790	17,757	13,789	12,645	3,072	4,421	(8,718)	(4,718)	33,933	30,105
Unallocated assets									719	237
Unallocated liabilities									(8,367)	(6,661)
Tax recoverable									18	4
Taxation payable									(38)	(21)
Deferred tax assets									29	22
Deferred tax liabilities									(422)	(243)
									25,872	23,443

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 SEGMENT INFORMATION (Continued)

#### (b) Secondary reporting format – geographical segment

An analysis of Group's turnover and contribution to operating profit by geographical segment is as follows:

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
<b>Continuing operations</b>				
Hong Kong	197	199	76	72
Mainland China	2,514	1,401	714	262
Others	152	94	16	7
	<b>2,863</b>	<b>1,694</b>	<b>806</b>	<b>341</b>
<b>Discontinued operations</b>				
Mainland China	—	—	17	5
New Zealand	171	165	13	28
	<b>171</b>	<b>165</b>	<b>30</b>	<b>33</b>
	<b>3,034</b>	<b>1,859</b>	<b>836</b>	<b>374</b>
Less: unallocated income less expenses			(84)	(46)
			<b>752</b>	<b>328</b>

An analysis of segment assets and capital expenditure by geographical segment is as follows:

	Segment assets		Capital expenditure	
	30 June	31 December	Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
<b>Continuing operations</b>				
Hong Kong	1,160	1,308	1	—
Mainland China	23,510	15,528	3,035	917
Others	—	29	—	—
	<b>24,670</b>	<b>16,865</b>	<b>3,036</b>	<b>917</b>
<b>Discontinued operations</b>				
Mainland China	580	442	—	—
New Zealand	540	450	—	—
	<b>1,120</b>	<b>892</b>	<b>—</b>	<b>—</b>
	<b>25,790</b>	<b>17,757</b>	<b>3,036</b>	<b>917</b>

## 6 OTHER GAINS, NET AND OTHER INCOME

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million
<b>Other gains, net</b>						
Increase in fair value of investment properties	45	32	—	—	45	32
Increase in fair value of other financial assets at fair value through profit or loss	—	8	—	—	—	8
Gains on disposal of jointly controlled entities	—	—	13	1	13	1
Net exchange gains	7	2	7	7	14	9
Others	1	3	—	—	1	3
	<b>53</b>	<b>45</b>	<b>20</b>	<b>8</b>	<b>73</b>	<b>53</b>
<b>Other income</b>						
Income from held-to-maturity investments	—	1	4	4	4	5
Dividend income	12	1	—	—	12	1
	<b>12</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>16</b>	<b>6</b>

## 7 EXPENSES BY NATURE

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million
Cost of inventories sold	1,047	652	—	—	1,047	652
Cost of development properties sold	—	—	140	125	140	125
Depreciation of property, plant and equipment	220	153	1	1	221	154
Amortisation of leasehold land and land use rights	51	34	—	—	51	34
Other expenses	888	607	24	18	912	625
	<b>2,206</b>	<b>1,446</b>	<b>165</b>	<b>144</b>	<b>2,371</b>	<b>1,590</b>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million
Interest on:						
Bank borrowings, wholly repayable within five years	153	105	5	5	158	110
Bank borrowings, not wholly repayable within five years	—	6	—	—	—	6
Listed notes payable, not wholly repayable within five years	105	104	—	—	105	104
Other financial liabilities (Note 21)	43	—	—	—	43	—
Total borrowing costs incurred	301	215	5	5	306	220
Less: amount capitalised in assets under construction	(24)	(32)	—	—	(24)	(32)
	277	183	5	5	282	188

Capitalisation rate of 5.8628% per annum (2006: 4.900% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the assets under construction.



## 9 TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to Foreign Enterprise Income Tax of the People's Republic of China (the "PRC Foreign Enterprise Income Tax") at a tax rate of 10% to 15% on assessable profits. The Group's certain major operating subsidiaries are exempted from PRC Foreign Enterprise Income Tax in the first two to five profit making years and followed by a 50% reduction in the PRC Enterprise Income Tax for the next three to five years thereafter.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises established in PRC from 10%-15% to 25% within a period of five years with effect from 1 January 2008. The tax rate increase impacts the carrying values of deferred tax assets and liabilities which are provided for at rates at which the assets and liabilities are expected to reverse. As the detailed implementation rules have not been released by the State Council of the People's Republic of China, the Group has reassessed its relevant deferred tax assets and liabilities as at 31 December 2006 based on the assumption that the tax holiday will continue and the tax rate increment will take effect gradually over a period of 5 years.

Taxation outside 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.

	Continuing operations		Discontinued operations		Total	
			Six months ended 30 June			
	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million	2007 HK\$'million	2006 HK\$'million
Current taxation						
Hong Kong profits tax	21	13	—	—	21	13
PRC Foreign Enterprise Income Tax	23	22	—	—	23	22
Overseas taxation	—	—	9	2	9	2
Deferred taxation						
Charge for the period	(3)	1	—	—	(3)	1
Effect of change in tax rate	93	—	—	—	93	—
	134	36	9	2	143	38

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 23 May 2007, the Group entered into an agreement to dispose of its entire equity interest and preference shareholding in China Merchants Holdings (Pacific) Limited (“CMHP”), a subsidiary of the Group to a fellow subsidiary. CMHP mainly engaged in toll road operation and property development. Details of the disposal are disclosed in Note 24(a). The assets and liabilities related to CMHP have been presented as held for sale as at 30 June 2007. The transaction was completed on 11 July 2007.

The results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flow statement are set out below.

	Six months ended 30 June	
	2007	2006
	HK\$'million	HK\$'million
Turnover	171	165
Cost of sales	(140)	(125)
Gross profit	31	40
Other gains, net	20	8
Other income	4	4
Distribution costs	(7)	(7)
Administrative expenses	(18)	(12)
Operating profit	30	33
Interest income	7	—
Finance costs	(5)	(5)
Share of profits of jointly controlled entities	119	112
Profit before taxation	151	140
Taxation	(9)	(2)
Profit for the period from discontinued operations	142	138
Attributable to:		
Shareholders of the Company	102	99
Minority interest	40	39
	142	138
Net cash inflow from operating activities	40	61
Net cash inflow from investing activities	151	144
Net cash inflow from financing activities	44	78
Net cash inflow from discontinued operations	235	283

## 10 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

The major classes of assets and liabilities classified as held for sale at 30 June 2007 are as follows:

	HK\$'million
<b>Non-current assets held for sale</b>	
Property, plant and equipment	17
Interests in jointly controlled entities	2,532
Other financial assets	44
Deferred tax assets	2
Development properties for sale	511
Debtors, deposits and prepayments	12
Cash and cash equivalents	536
<b>Total</b>	<b>3,654</b>
<b>Liabilities directly associated with non-current assets held for sale</b>	
Creditors and accruals	129
Taxation payable	7
Other financial liabilities	88
<b>Total</b>	<b>224</b>

As at 31 December 2006, the non-current assets held for sale represented 35% equity interests in two jointly controlled entities. During the period, the assets had been disposed.

## 11 INTERIM DIVIDEND

	Six months ended 30 June	
	2007	2006
	HK\$'million	HK\$'million
Interim dividend of 20 HK cents (2006: 17 HK cents) per share	479	394

At a meeting held on 19 September 2007, the Directors proposed an interim dividend of 20 HK cents 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 a dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

The amount of interim dividend for 2007 was based on 2,396,255,123 shares in issue as at 19 September 2007.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

Basic	Continuing operations	Discontinued operations	Total
<b>For the six months ended 30 June 2007</b>			
Profit attributable to equity holders of the Company (HK\$'million)	1,418	102	1,520
Weighted average number of ordinary shares in issue	2,335,778,185	2,335,778,185	2,335,778,185
Basic earnings per share (HK cents)	60.70	4.37	65.07
<b>For the six months ended 30 June 2006</b>			
Profit attributable to equity holders of the Company (HK\$'million)	1,106	99	1,205
Weighted average number of ordinary shares in issue	2,272,843,953	2,272,843,953	2,272,843,953
Basic earnings per share (HK cents)	48.63	4.37	53.00

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume all outstanding options had been exercised at nil consideration.

Diluted	Continuing operations	Discontinued operations	Total
<b>For the six months ended 30 June 2007</b>			
Profit attributable to equity holders of the Company (HK\$'million)	1,418	102	1,520
Weighted average number of ordinary shares in issue	2,335,778,185	2,335,778,185	2,335,778,185
Adjustment for share options	16,400,062	16,400,062	16,400,062
Weighted average number of ordinary shares for diluted earnings per share	2,352,178,247	2,352,178,247	2,352,178,247
Diluted earnings per share (HK cents)	60.28	4.34	64.62
<b>For the six months ended 30 June 2006</b>			
Profit attributable to equity holders of the Company (HK\$'million)	1,106	99	1,205
Weighted average number of ordinary shares in issue	2,272,843,953	2,272,843,953	2,272,843,953
Adjustment for share options	7,583,113	7,583,113	7,583,113
Weighted average number of ordinary shares for diluted earnings per share	2,280,427,066	2,280,427,066	2,280,427,066
Diluted earnings per share (HK cents)	48.47	4.36	52.83

### 13 CAPITAL EXPENDITURE

	Goodwill HK\$'million	Property, plant and equipment HK\$'million	Investment properties HK\$'million	Leasehold land and land use rights HK\$'million
Carrying value as at 1 January 2007	281	7,999	603	3,104
Exchange difference	—	244	1	57
Acquisition of subsidiaries (Note 21)	3,469	1,307	—	1,010
Additions	—	828	—	2,208
Increase in fair value	—	—	45	—
Depreciation and amortisation	—	(221)	—	(51)
Disposals	—	(8)	—	—
Reclassification	—	4	(43)	39
Carrying value as at 30 June 2007	3,750	10,153	606	6,367
Reclassified as held for sale	—	(17)	—	—
	3,750	10,136	606	6,367
Carrying value as at 1 January 2006	275	5,536	539	2,007
Exchange difference	—	(2)	—	—
Acquisition of subsidiaries	—	537	9	814
Additions	—	914	—	3
Increase in fair value	—	—	32	—
Depreciation and amortisation	—	(154)	—	(34)
Disposals	—	(1)	—	—
Carrying value as at 30 June 2006	275	6,830	580	2,790

### 14 PREPAYMENT

As at 31 December 2006, the prepayment of HK\$2,066 million represented the consideration for the acquisition of the rights to purchase certain pieces of land located in Shekou, Shenzhen, the PRC. During the period, the relevant land grant contracts have been executed and the prepayment has been transferred to land use rights.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15 DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Trade debtors ( <i>note</i> )	1,641	1,120
Other debtors, deposits and prepayments	183	123
Dividends receivable from associates	265	—
Amounts due from immediate holding company and fellow subsidiaries	47	46
Amounts due from associates	9	7
Amounts due from jointly controlled entities	—	226
Amounts due from related companies	—	1
	2,145	1,523

*Note:*

Included in trade debtors are amounts due from associates of HK\$503 million (2006: HK\$318 million) and bill receivables of HK\$27 million (2006: HK\$27 million).

The Group has a credit policy of allowing an average credit period of 60 days to its trade customers. The ageing analysis of trade debtors is as follows:

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Not yet due	599	412
1 – 30 days	488	271
31 – 60 days	228	178
61 – 120 days	190	132
Over 120 days	136	127
	1,641	1,120

## 16 SHARE CAPITAL

	Number of shares		Share capital	
	2007	Six months ended 30 June 2006	2007 HK\$'million	2006 HK\$'million
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1 January	5,000,000,000	3,000,000,000	500	300
Increase in authorised share capital ( <i>note (a)</i> )	—	2,000,000,000	—	200
At 30 June	5,000,000,000	5,000,000,000	500	500
Issued and fully paid shares of HK\$0.1 each:				
At 1 January	2,333,280,168	2,194,556,610	233	219
Issue of shares on exercise of share options ( <i>note (b)</i> )	4,829,000	13,706,000	1	1
Issue of shares for purchase of land use rights ( <i>note (c)</i> )	—	84,952,620	—	9
Issue of shares for purchase of additional interests of subsidiaries and land use rights ( <i>Note 22</i> )	50,988,000	—	5	—
At 30 June	2,389,097,168	2,293,215,230	239	229

### Notes:

- (a) Pursuant to a shareholders' resolution passed in the Extraordinary General Meeting of the Company held on 25 January 2006, the authorised share capital was increased from HK\$300 million to HK\$500 million by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.1 each.
- (b) During the period, 4,829,000 shares were issued on exercise of share options (2006: 13,706,000), with exercise proceeds of HK\$74 million (2006: HK\$135 million).  
The weighted average share price at the time of exercise was HK\$34.24 per share (2006: HK\$25.00). The related transaction costs of HK\$0.1 million (2006: HK\$0.2 million) have been deducted from the proceeds received.
- (c) On 27 January 2006, the Company issued 84,952,620 new ordinary shares in the amount of HK\$1,427 million as part of the consideration for the acquisition of the rights to purchase certain pieces of land located in Shekou, Shenzhen, the PRC.
- (d) During the period from 1 July 2007 to the date of approval of this condensed consolidated interim financial information, 3,457,955 ordinary shares of HK\$0.1 were issued to satisfy the payment of the 2006 final dividend of HK\$122 million and 3,700,000 ordinary shares of HK\$0.1 at an average exercise price of HK\$17.25 per share were issued upon the exercise of share options.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 SHARE CAPITAL (Continued)

Notes: (Continued)

(e) Share options of the Company

The Existing Scheme was approved and adopted by the shareholders at the meeting on 20 December 2001. During the period, the Company did not grant any share options.

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

	Six months ended 30 June			
	2007		2006	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At 1 January	20.44	50,743,000	10.14	28,421,000
Granted	—	—	23.02	40,190,000
Exercised and with shares allotted	15.17	(4,829,000)	9.82	(13,706,000)
Lapsed	—	—	5.05	(250,000)
At 30 June	20.99	45,914,000	19.72	54,655,000

Out of the 45,914,000 outstanding options, 240,000 options had been exercised during the period but the relevant shares were issued on 4 July 2007 and 24,966,000 options were exercisable as at 30 June 2007.

Share options outstanding at 30 June 2007 have the following expiry dates and exercise prices:

Year of expiry	Exercise price	Number of share options
2012	4.985	800,000
2014	11.08	6,610,000
2016	23.03	38,354,000
2016	20.91	150,000
		45,914,000



## 17 RESERVES

	Unaudited					
	Attributable to the shareholders of the Company				Minority interest	Total
	Share capital HK\$'million	Share premium HK\$'million	Other reserves HK\$'million	Retained earnings HK\$'million	HK\$'million	HK\$'million
At 1 January 2007	233	11,540	2,405	6,743	2,522	23,443
Share of investment revaluation reserves of associates and jointly controlled entities	—	—	698	—	—	698
Share of net actuarial gains on defined benefit plan of associates	—	—	—	16	—	16
Realisation of reserves upon disposal of an associate	—	—	(2)	2	—	—
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities	—	—	689	—	53	742
Increase in fair value of available-for-sale financial assets	—	—	192	—	—	192
Effect of change in tax rate on assets revaluation	—	—	(17)	—	—	(17)
Assets revaluation arising from reclassification of interests in jointly controlled entities (Note 21)	—	—	83	—	—	83
Net gains not recognised in the consolidated income statement	—	—	1,643	18	53	1,714
Profit for the period	—	—	—	1,520	195	1,715
Total recognised gains	—	—	1,643	1,538	248	3,429
Issue of shares on exercise of share options, net of share issue expenses of HK\$0.1 million	1	73	—	—	—	74
Acquisition of additional interests of subsidiaries and land use rights (Note 22)	5	1,836	(1,295)	—	(740)	(194)
Share-based payments	—	—	57	—	—	57
Transfer to reserves	—	—	6	(6)	—	—
Dividend paid	—	—	—	(841)	(96)	(937)
At 30 June 2007	239	13,449	2,816	7,434	1,934	25,872
Representing:						
Reserves				6,955		
Proposed dividend				479		
At 30 June 2007				7,434		

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RESERVES (Continued)

	Unaudited					
	Attributable to the shareholders of the Company				Minority interest	Total
	Share capital HK\$'million	Share premium HK\$'million	Other reserves HK\$'million	Retained earnings HK\$'million	HK\$'million	HK\$'million
At 1 January 2006	219	9,166	1,310	5,464	1,468	17,627
Share of investment revaluation reserves of associates and jointly controlled entities	—	—	1	—	—	1
Realisation of reserves upon disposal of jointly controlled entities	—	—	(3)	3	—	—
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities	—	—	(36)	—	—	(36)
Increase in fair value of available-for-sale financial assets	—	—	33	—	—	33
Net gains not recognised in the consolidated income statement	—	—	(5)	3	—	(2)
Profit for the period	—	—	—	1,205	145	1,350
Total recognised gains	—	—	(5)	1,208	145	1,348
Issue of shares on exercise of share options, net of share issue expenses of HK\$0.2 million	1	134	—	—	—	135
Issue of shares for purchase of land use rights (Note 16(c))	9	1,418	—	—	—	1,427
Acquisition of subsidiaries	—	—	29	—	642	671
Capital contributions by minority shareholders of subsidiaries	—	—	—	—	96	96
Share-based payments	—	—	17	—	—	17
Transfer to reserves	—	—	101	(101)	(3)	(3)
Dividend paid	—	—	—	(756)	(84)	(840)
At 30 June 2006	229	10,718	1,452	5,815	2,264	20,478
Representing:						
Reserves				5,421		
Proposed dividend				394		
At 30 June 2006				5,815		

## 18 OTHER FINANCIAL LIABILITIES

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Short-term bank loans		
– unsecured	3,389	1,337
– secured ( <i>note (a)</i> )	—	73
Long-term bank loans, wholly repayable within five years		
– unsecured	1,863	2,975
– secured ( <i>note (a)</i> )	23	17
Long-term bank loans, not wholly repayable within five years, unsecured	—	458
	5,275	4,860
Loan from a minority shareholder of a subsidiary ( <i>note (b)</i> )	62	62
Listed notes payable ( <i>note (c)</i> )	3,886	3,865
Other financial liabilities ( <i>note (d)</i> )	3,741	—
	12,964	8,787
Less: amounts due within one year included under current liabilities	(7,350)	(2,705)
Non-current portion	5,614	6,082

### Notes:

- (a) Bank loans of HK\$23 million (2006: HK\$30 million) are secured by the property, plant and equipment with net book value at 30 June 2007 of HK\$81 million (2006: HK\$73 million). Other financial liabilities drawn by subsidiaries of the Group of HK\$5,115 million (2006: HK\$5,908 million) are secured by corporate guarantees provided by the Company.
- (b) Loan from a minority shareholder of a subsidiary is unsecured, interest free and is repayable on demand.
- (c) Listed notes payable represents US\$500 million, 5.375% guaranteed listed notes which will be matured in 2015.
- (d) The amount represents the Group's obligation to purchase the equity interest of a subsidiary under a written put option. The put option is exercisable during the period from 22 February 2007 to 21 February 2008.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18 OTHER FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

(e) The other financial liabilities are repayable as follows:

	Bank borrowings		Listed notes payable		Loans from a minority shareholder of a subsidiary		Other financial liabilities		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Within 1 year	3,547	2,643	—	—	62	62	3,741	—	7,350	2,705
Between 1 and 2 years	232	256	—	—	—	—	—	—	232	256
Between 2 and 5 years	1,496	1,503	—	—	—	—	—	—	1,496	1,503
Wholly repayable within 5 years	5,275	4,402	—	—	62	62	3,741	—	9,078	4,464
Not wholly repayable within 5 years	—	458	3,886	3,865	—	—	—	—	3,886	4,323
	5,275	4,860	3,886	3,865	62	62	3,741	—	12,964	8,787

(f) The effective interest rates of the interest bearing other financial liabilities at the balance sheet date were as follows:

	Bank borrowings		Listed notes payable	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
Hong Kong dollar	4.15% to 5.22%	4.15% to 4.90%	—	—
Renminbi	5.02% to 6.30%	5.00% to 5.76%	—	—
United States dollar	—	—	5.47%	5.47%
Other currencies	—	9.12%	—	—

(g) Except for the bank borrowings not wholly repayable within one year of HK\$1,728 million and the Listed notes payable of HK\$3,886 million, the carrying amounts of the other financial liabilities approximate their fair values as at 30 June 2007. The fair values of the bank borrowings not wholly repayable within one year and the Listed notes payable were HK\$1,467 million (2006: HK\$1,800 million) and HK\$3,724 million (2006: HK\$3,785 million) respectively. The fair value of bank borrowings not wholly repayable within one year was determined by discounting the future cash flows at the current market interest rate available to the Group and the fair value of the Listed notes payable was determined with reference to quoted market price.

(h) The carrying amounts of other financial liabilities are denominated in the following currencies:

	30 June	31 December
	2007	2006
	HK\$'million	HK\$'million
Hong Kong dollar	7,542	3,250
Renminbi	1,536	1,612
United States dollar	3,886	3,865
Other currencies	—	60
	12,964	8,787

## 19 CREDITORS AND ACCRUALS, NON-CURRENT PAYABLE

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Trade creditors ( <i>note</i> )	616	510
Other payables and accruals	1,425	1,414
Dividend payable	894	—
Amounts due to an intermediate holding company and fellow subsidiaries	965	661
Amounts due to associates	4	7
	<b>3,904</b>	<b>2,592</b>
Less: non-current portion	(320)	(320)
	<b>3,584</b>	<b>2,272</b>

*Note:*

Included in trade creditors is an amount due to a minority shareholder of a subsidiary of HK\$44 million (2006: HK\$34 million).

The ageing analysis of trade creditors is as follows:

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
0 - 30 days	489	438
31 - 60 days	83	29
61 - 120 days	18	10
Over 120 days	26	33
	<b>616</b>	<b>510</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20 COMMITMENTS

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

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Authorised but not contracted	1,831	1,611
Contracted but not provided for	2,971	3,597
	<b>4,802</b>	<b>5,208</b>

#### (b) Capital commitments for investments

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Contracted but not provided for		
– Investments	85	85
– Ports projects	144	144
	<b>229</b>	<b>229</b>

#### (c) Commitments under operating leases

At 30 June 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases for leasehold land, land use rights and property, plant and equipment as follows:

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Within one year	61	79
In the second to fifth year inclusive	32	22
After the fifth year	55	—
	<b>148</b>	<b>101</b>

## 20 COMMITMENTS (Continued)

### (d) Future operating lease receivables

At 30 June 2007, the Group had future aggregate lease receivables under non-cancellable operating leases for leasehold land and buildings as follows:

	30 June 2007 HK\$'million	31 December 2006 HK\$'million
Within one year	34	30
In the second to fifth year inclusive	19	6
After the fifth year	2	10
	55	46

## 21 BUSINESS COMBINATION

### *Restructuring of ports interests in Shekou, PRC*

Before the restructuring, the Group had a 50% equity interest in Shekou Container Terminals Limited ("SCT I"), a 51% equity interest in Shekou Container Terminal (Phase II) Company Limited ("SCT II") and wholly owned Shekou Container Terminal (Phase III) Limited ("SCT III"). SCT I and SCT II were accounted for as jointly controlled entities and SCT III was accounted for as a subsidiary of the Group as at 31 December 2006.

On 22 February 2007, the Group acquired an additional 40% equity interest in SCT I and a 39.2% equity interest in SCT II at a total consideration of HK\$3,168 million. The remaining interest of SCT I and SCT II were held by Modern Terminal Limited ("MTL"), an associate of the Group.

On the same day, the Group and MTL injected their entire equity interest in SCT I, SCT II and SCT III into a new company ("Mega SCT") of which the Group and MTL initially holds 70% and 30% equity interests respectively. The Group received HK\$3,168 million from MTL as consideration. The Group also granted a Put Option to MTL which enables MTL to sell its entire 30% equity interest in Mega SCT to the Group for HK\$3,960 million within one year.

The directors consider that substantial risks and rewards relating to the equity interest subject to the Put Option remain with the Group until the Put Option lapses. Accordingly, no minority interest has been recognised in respect of the equity interest subject to the Put Option and Mega SCT has been accounted for as if it is a wholly-owned subsidiary of the Group. The profit attributable to the equity interest from 22 February 2007 to 30 June 2007 subject to the Put Option of approximately HK\$43 million is recognised as finance cost and the obligation to purchase the equity interest of Mega SCT from MTL of approximately HK\$3,741 million is credited as other financial liabilities.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 BUSINESS COMBINATION (Continued)

#### *Restructuring of ports interests in Shekou, PRC (Continued)*

SCT I and SCT II contributed turnover of HK\$123 million and HK\$134 million and net profit of HK\$59 million and HK\$74 million respectively to the Group for the six months ended 30 June 2007. If the restructuring had occurred on 1 January 2007, the Group's turnover would have been HK\$2,970 million and the Group's net profit would have been HK\$1,584 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of SCT I and SCT II to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments had been applied from 1 January 2007, together with the consequential tax effects.

Details of the net assets acquired are as follows:

	HK\$'million
Purchase consideration	
– Cash paid	238
– Direct costs	8
– Other financial liabilities	3,960
Total consideration	4,206
Reclassification from interests in jointly controlled entities	1,477
Change in fair value of net identifiable assets attributable to existing interest in SCT I and SCT II credited to assets revaluation reserve ( <i>note (ii)</i> )	83
	5,766
Fair value of net identifiable assets of SCT I and SCT II ( <i>note (i)</i> )	(2,297)
Goodwill	3,469
Representing:	
– Goodwill arising from acquisition	3,067
– Goodwill brought forward from previous acquisition of SCT I interest	402
	3,469



## 21 BUSINESS COMBINATION (Continued)

### Restructuring of ports interests in Shekou, PRC (Continued)

Note:

(i) The identifiable assets and liabilities of SCT I and SCT II are as follows:

	Carrying amount HK\$'million	Fair value HK\$'million
Non-current assets		
Land use rights	475	787
Property, plant and equipment	1,584	1,584
Deferred tax assets	4	4
	2,063	2,375
Current assets		
Inventories	13	13
Debtors, deposits and prepayments	232	232
Cash and cash equivalents	862	862
	1,107	1,107
Non-current liabilities		
Other financial liabilities	(643)	(643)
Deferred tax liabilities	—	(67)
	(643)	(710)
Current liabilities		
Creditors and accruals	(379)	(379)
Other financial liabilities	(96)	(96)
	(475)	(475)
Net assets	2,052	2,297
Net assets attributable to existing interests in SCT I and SCT II		(1,158)
Net assets acquired		1,139

(ii) Change in fair value of net identifiable assets attributable to existing interests in SCT I and SCT II

	HK\$'million
Fair value of net assets attributable to existing interests in SCT I and SCT II (note (i))	1,158
Less: Carrying amount of share of nets assets	(1,075)
Amount credited to assets revaluation reserve	83

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 22 PURCHASE OF ADDITIONAL INTERESTS IN SUBSIDIARIES

On 29 June 2007, the Group acquired the entire equity interest in Elite Vantage Investments Limited (“EVI”) from certain fellow subsidiaries. The consideration was satisfied by the issue of 50,988,000 of the Company’s shares and the payment of RMB450 million in cash. The fair value of the shares is determined with reference to the fair value of the land acquired and the market value of the Company’s shares at the date of completion.

EVI principally engages in investment holding. It holds a piece of land in Shekou, Shenzhen, PRC (“Youlian Land”) and interest in Equity Castle Limited, a BVI holding company which holds 40% equity interest in each of Shenzhen Mawan Port Service Co., Ltd., Shenzhen Mawan Wharf Co., Ltd. and Shenzhen Mawan Terminals Co., Ltd. (collectively “Mawan companies”) and 34% equity interest in Shenzhen Haixing Harbour Development Co., Ltd. (“Haixing”). Mawan companies and Haixing have been subsidiaries of the Group prior to the acquisition of the aforesaid interests. The difference between the consideration paid and the net assets attributable to the additional interests acquired is charged to equity as the additional interests are acquired from minority shareholders. Details of the net assets acquired are as follows:

	HK\$’million
Purchase consideration	
– Cash paid	159
– Shares issued	1,841
– Consideration payable (included in amounts to fellow subsidiaries)	257
Total consideration	2,257
Net assets attributable to minority interest in Mawan companies and Haixing acquired	(740)
Fair value of Youlian Land	(222)
Amount charged to equity	1,295

Mawan companies and Haixing contributed turnover of HK\$368 million and HK\$168 million and net profit of HK\$151 million and HK\$46 million respectively to the Group for the six months ended 30 June 2007. If the acquisition had occurred on 1 January 2007, the Group’s net profit would have been HK\$1,651 million.

## 23 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties refer to entities in which China Merchants Group Limited (“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. Given that the PRC government still owns a significant portion of the operating assets in the PRC despite the continuous reform of the government’s structure, the majority of the Group’s business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government (the “State-controlled Enterprises”), including CMG, its subsidiaries, associates and jointly controlled entities (collectively referred as to the “CMG Group”) in the ordinary course of business. In accordance with HKAS 24, State-controlled Enterprises and their subsidiaries, other than entities under the CMG (also a State-controlled Enterprise), directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

In addition to the related party information shown in other parts of this condensed consolidated interim financial information, the following is 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 at 30 June 2007:

### (a) Balances and transactions with the CMG Group

	Note	Six months ended 30 June	
		2007 HK\$'million	2006 HK\$'million
<b>Transactions with the CMG Group</b>			
Sales of goods to	(i)		
– associates		539	223
– a fellow subsidiary		3	—
Rental income from	(ii)		
– an intermediate holding company		9	8
– fellow subsidiaries		4	6
Interest income from a jointly controlled entity	(iii)	—	1
Rental expenses paid to fellow subsidiaries	(ii)	39	37
Service fee paid to fellow subsidiaries	(iv)	4	4
	Note	30 June 2007 HK\$'million	31 December 2006 HK\$'million
<b>Balances with the CMG Group</b>			
Advances to associates	(v)	46	67
Loans to jointly controlled entities	(vi)	740	764

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 23 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

#### (a) Balances and transactions with the CMG Group (Continued)

Other balances with entities within the CMG Group as at 30 June 2007 are disclosed in notes 15 and 19 to this condensed consolidated interim financial information.

*Notes:*

- (i) Sales of goods were at negotiated prices by transacting parties.
- (ii) The Group rented certain vessels and properties from and leased office premises to the CMG Group. Rental income or expense was charged at a fixed amount per month in accordance with respective tenancy agreements.
- (iii) Interest income was charged at 5.49% per annum.
- (iv) The fellow subsidiaries provided barges to bring ships into ports operated by the Group and provided cargo management and paint shipping services to the Group. The service fee was charged by reference to market rates.
- (v) The advances to associates are unsecured, interest free and have no fixed terms of repayment.
- (vi) Loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.
- (vii) Pursuant to a share purchase agreement dated 23 May 2007 with a fellow subsidiary of the Group, the Company agreed to sell its entire 71.92% equity interest and preference shareholdings in CMHP, a subsidiary of the Group, at a total consideration of HK\$2,950 million. The transaction was completed on 11 July 2007. Details of the disposal are disclosed in Note 24.
- (viii) On 29 June 2007, the Group acquired the entire equity interest in EVI from certain fellow subsidiaries. The consideration was satisfied by the issue of 50,988,000 of the Company's shares and RMB450 million in cash. Details of the acquisition are disclosed in Note 22.

#### (b) Transactions with other Stated-controlled Enterprises

During the period, the Group engaged certain State-controlled Enterprises in the construction of ports and related facilities amounting to approximately HK\$175 million (2006: HK\$367 million).

As at 30 June 2007, bank balances deposited in the State-controlled banks amounted to HK\$846 million (2006: HK\$281 million).

During the six months ended 30 June 2007, interest income from State-controlled banks amounted to HK\$17 million (2006: HK\$12 million).

## 23 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

### (c) Balances and transactions with minority shareholders of subsidiaries:

	Note	Six months ended 30 June	
		2007 HK\$'million	2006 HK\$'million
Sales of goods	(i)	84	79
Rental income	(ii)	2	—
Royalty paid	(iii)	49	28
Sourcing service expenses	(iv)	2	—
Service expenses	(v)	11	—
Interest expense	(vi)	1	1

*Notes:*

- (i) Sales of goods were determined by a subsidiary of the Group on the basis of the subsidiary's total production costs for the products plus a mark-up.
- (ii) Rental income was charged at a fixed amount per month in accordance with respective tenancy agreements.
- (iii) Royalties were based on percentages of the net sales of paints and negotiated on an arms-length basis.
- (iv) Sourcing service was charged, based on percentages of the purchase price payable to a subsidiary of the Group for the unfinished paint products and negotiated on an arm-length basis.
- (v) Service expense was charged in accordance with the agreement and negotiated on an arm-length basis.
- (vi) Interest was charged at 0.5% above the HIBOR per annum on the principal amounts of the respective loans.

The balances with minority shareholders of subsidiaries are disclosed in notes 18 and 19 to this condensed consolidated interim financial information.

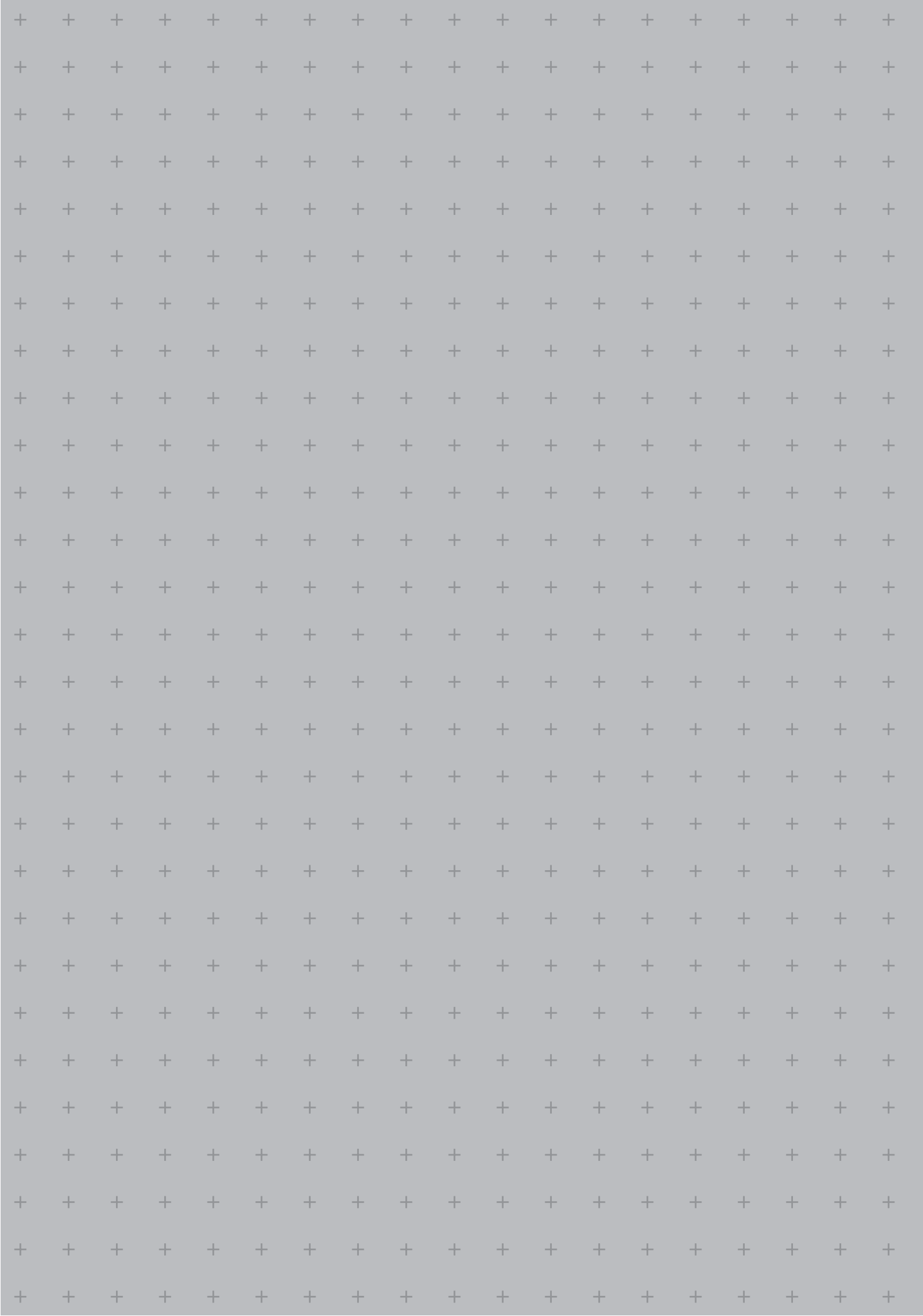
### (d) Key management compensation

	Six months ended 30 June	
	2007 HK\$'million	2006 HK\$'million
Salaries and other short-term employee benefits	2	2
Share-based payments	6	2
	8	4

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 24 SUBSEQUENT EVENTS

- (a) On 11 July 2007, the Group disposed its entire 71.92% equity interest and preference shareholding in CMHP, a Singapore listed subsidiary held by the Group which is engaged in toll road operation in Mainland China and property development in New Zealand, to a fellow subsidiary of the Group at a total consideration of HK\$2,950 million.
- (b) On 15 September 2007, the Group entered into certain agreements with 湛江市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Zhanjiang Municipal People's Government) to invest in 湛江港(集團)股份有限公司 (Zhanjiang Port (Group) Co., Limited) ("ZPGL"), a sino-foreign joint stock limited company. Pursuant to the agreements, the Group agreed to pay RMB1,620 million (approximately HK\$1,663 million) in cash for the subscription of new shares in ZPGL, represented 45% of its registered capital. The consideration will be funded by internal resources.



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**CHINA MERCHANTS HOLDINGS (INTERNATIONAL)  
COMPANY LIMITED**

38/F East, China Merchants Tower

Shun Tak Centre, 168-200 Connaught Road

Central, Hong Kong

Tel: (852) 2102 8888

Fax: (852) 2587 7771

E-mail: [relation@cmhi.com.hk](mailto:relation@cmhi.com.hk)

**招商局國際有限公司**

香港干諾道中168-200號

信德中心招商局大廈38樓東

電話：(852) 2102 8888

傳真：(852) 2587 7771

電子郵件： [relation@cmhi.com.hk](mailto:relation@cmhi.com.hk)

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[www.cmhi.com.hk](http://www.cmhi.com.hk)