

9 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to Enterprise Income Tax of the People's Republic of China (the "PRC Enterprise Income Tax") at a tax rate of 18% to 25% (2007: 10% to 15%) on assessable profits. The Group's certain major operating subsidiaries of the Group are exempted from PRC 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.

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.

The amount of taxation charged to condensed consolidated income statement represents:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June					
	2008 HK\$'million	2007 HK\$'million	2008 HK\$'million	2007 HK\$'million	2008 HK\$'million	2007 HK\$'million
Current taxation						
Hong Kong profits tax	2	4	—	—	2	4
PRC Enterprise Income Tax	64	40	—	—	64	40
Overseas taxation	—	—	—	9	—	9
Deferred taxation						
Charged/(credited) for the period	93	(3)	—	—	93	(3)
Effect of change in tax rate	—	93	—	—	—	93
	159	134	—	9	159	143

10 Discontinued operations

On 11 July 2007, the Group disposed of its entire equity interest in China Merchants Holdings (Pacific) Limited (“CMHP”), a subsidiary of the Group to a fellow subsidiary. CMHP is mainly engaged in toll road operation and property development.

The results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flow statement for the six months ended 30 June 2007 are set out below.

	HK\$'million
Revenue	171
Cost of sales	(140)
Gross profit	31
Other gains, net	20
Other income	4
Distribution costs	(7)
Administrative expenses	(18)
Operating profit	30
Finance income	7
Finance costs	(5)
Finance income, net	2
Share of profits of jointly controlled entities	119
Profit before taxation	151
Taxation	(9)
Profit for the period from discontinued operations	142
Attributable to:	
Shareholders of the Company	102
Minority interest	40
	142
Net cash inflow from operating activities	40
Net cash inflow from investing activities	151
Net cash inflow from financing activities	44
Net cash inflow from discontinued operations	235

11 Interim dividend

	Six months ended 30 June	
	2008 HK\$'million	2007 HK\$'million
Interim dividend of 28 HK cents (2007: 20 HK cents) per share	675	479

At a meeting held on 2 September 2008, the Directors proposed an interim dividend of 28 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 2008.

The amount of interim dividend for 2008 was based on 2,411,945,657 shares in issue as at 2 September 2008.

12 Earnings per share

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

Basic	Continuing operations	Discontinued operations	Total
For the six months ended 30 June 2008			
Profit attributable to shareholders of the Company (HK\$'million)	2,019	—	2,019
Weighted average number of ordinary shares in issue	2,406,596,139	2,406,596,139	2,406,596,139
Basic earnings per share (HK cents)	83.89	—	83.89
For the six months ended 30 June 2007			
Profit attributable to shareholders 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

12 Earnings per share (Continued)

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
For the six months ended 30 June 2008			
Profit attributable to shareholders of the Company (HK\$'million)	2,019	—	2,019
Weighted average number of ordinary shares in issue	2,406,596,139	2,406,596,139	2,406,596,139
Adjustment for share options	13,158,055	13,158,055	13,158,055
Weighted average number of ordinary shares for diluted earnings per share	2,419,754,194	2,419,754,194	2,419,754,194
Diluted earnings per share (HK cents)	83.44	—	83.44
For the six months ended 30 June 2007			
Profit attributable to shareholders 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

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 2008	3,750	11,201	692	6,605
Exchange adjustments	—	486	—	272
Acquisition of subsidiaries (<i>note 22</i>)	2	40	—	—
Partial disposal of subsidiaries (<i>note 21</i>)	(1,239)	—	—	—
Additions	—	792	—	17
Increase in fair value	—	—	95	—
Depreciation and amortisation	—	(296)	—	(53)
Disposals	—	(8)	—	—
Carrying value as at 30 June 2008	2,513	12,215	787	6,841
Carrying value as at 1 January 2007	281	7,999	603	3,104
Exchange adjustments	—	451	—	231
Acquisition of subsidiaries	3,469	1,307	—	1,009
Additions	—	2,003	—	154
Increase in fair value	—	—	132	—
Depreciation and amortisation	—	(511)	—	(128)
Disposal of subsidiaries	—	(17)	—	—
Disposals	—	(36)	—	(11)
Transfer from prepayment	—	—	—	2,208
Transfers	—	5	(43)	38
Carrying value as at 31 December 2007	3,750	11,201	692	6,605

14 Debtors, deposits and prepayments

	30 June 2008 HK\$'million	31 December 2007 HK\$'million
Trade debtors (<i>note (a)</i>)	1,668	1,668
Other debtors, deposits and prepayments	198	175
Dividends receivables from associates and available-for-sale financial asset	643	—
Amounts due from fellow subsidiaries (<i>note (b)</i>)	52	49
Amounts due from associates (<i>note (b)</i>)	8	3
Amounts due from jointly controlled entities (<i>note (b)</i>)	28	—
	2,597	1,895

Note:

- (a) Included in trade debtors are amounts due from associates, a minority shareholder of subsidiaries and bill receivables totalling HK\$344 million (2007: HK\$523 million), HK\$28 million (2007: HK\$23 million) and HK\$25 million (2007: HK\$16 million).

The Group has a credit policy of allowing an average credit period of 90 days to its trade customers. The ageing analysis of trade debtors is as follows:

	30 June 2008 HK\$'million	31 December 2007 HK\$'million
Not yet due	518	587
1 - 30 days	424	366
31 - 60 days	338	291
61 - 120 days	238	238
Over 120 days	150	186
	1,668	1,668

- (b) The amounts due from fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and repayable on demand, except for an amount due from a jointly controlled entity of HK\$25 million (2007: Nil) which is interest bearing at the lending rate of the People's Bank of China.

15 Non-current asset held for sale

On 21 February 2008, the Group entered into an agreement with a third party to dispose its 13% equity interest in Western Harbour Tunnel Company Limited, an available-for-sale financial asset at a cash consideration of HK\$460 million and has classified the investment as asset held for sale. The transaction was completed on 8 August 2008.

16 Share capital

	Number of shares		Share capital	
	2008	2007	2008 HK\$'million	2007 HK\$'million
	Six months ended 30 June			
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1 January and 30 June	5,000,000,000	5,000,000,000	500	500
Issued and fully paid ordinary shares of HK\$0.1 each:				
At 1 January	2,406,111,200	2,333,280,168	241	233
Issue of shares on exercise of share options (<i>note (a)</i>)	1,604,000	4,829,000	1	1
Issue of shares for purchase of additional interests of subsidiaries and land use rights	—	50,988,000	—	5
At 30 June	2,407,715,200	2,389,097,168	242	239

Notes:

- (a) During the period, 1,604,000 shares were issued on exercise of share options (2007: 4,829,000), with proceeds of HK\$32 million (2007: HK\$74 million). The weighted average share price at the time of exercise was HK\$36.38 per share (2007: HK\$34.24). The related transaction cost of HK\$0.03 million (2007: HK\$0.1 million) have been deducted from the proceeds received.
- During the period, no ordinary shares were repurchased.
- (b) During the period from 1 July 2008 to the date of approval of this condensed consolidated interim financial information, 3,758,457 ordinary shares of HK\$0.1 were issued to satisfy the payment of the 2007 final dividend of HK\$121 million and 472,000 ordinary shares of HK\$0.1 were issued at an average exercise price of HK\$18.73 per share upon the exercise of share options.

16 Share capital (Continued)

Notes: (Continued)

(c) Share options

The existing share option 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			
	2008		2007	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At 1 January	21.68	33,200,000	20.44	50,743,000
Exercised	19.32	(1,604,000)	15.17	(4,829,000)
At 30 June	21.79	31,596,000	20.99	45,914,000

All share options were exercisable as at 30 June 2008.

Share options outstanding at 30 June 2008 have the following expiry dates and exercise prices:

Year of expiry	Exercise price	Number of share options
2012	4.985	100,000
2014	11.08	3,108,000
2016	23.03	28,238,000
2016	20.91	150,000
		31,596,000