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

Stock Code 股份代號：00144

INTERIM REPORT
中期報告
2010

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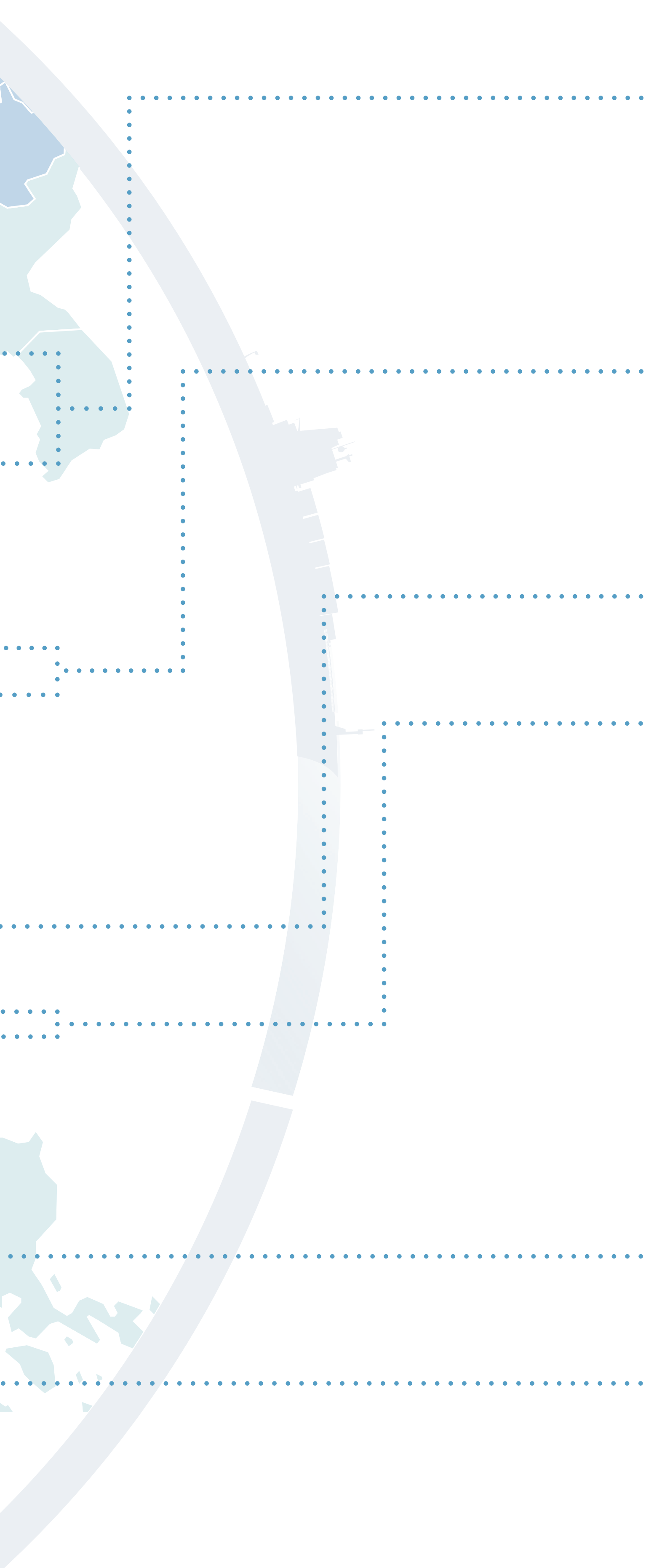

Bohai Coastal Area
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Tianjin Five Continents Int'l Container Terminal
天津五洲國際集裝箱碼頭

Tianjin Haitian Bonded Logistics Park
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China Merchants Int'l Terminal (Qingdao)
招商局國際青島碼頭

Qingdao Qianwan Bonded Logistics Park
青島前灣保税物流園區

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

Ningbo Port
寧波港

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

Mega SCT
蛇口集裝箱碼頭

China Merchants Port Services
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Chiwan Container Terminal
赤灣集裝箱碼頭

Shenzhen Mawan Project
深圳媽灣項目

Shenzhen Chiwan Wharf
赤灣港航

Shenzhen Hauxing
深圳海星碼頭

Shenzhen Qianhaiwan Bonded Logistics Park
深圳前海灣保税物流園區

China Merchants Container Services
招商局貨櫃服務

Modern Terminals
現代貨箱碼頭

South-west Area
西南地區

Zhanjiang Port
湛江港

Greater Ho Chi Minh Area, Vietnam
越南，大胡志明區

Ben Dinh Sao Mai Container Terminals
檳庭星梅集裝箱碼頭

Corporate Information

BOARD OF DIRECTORS

Dr. Fu Yuning *(Chairman)*
Mr. Li Yinquan
Mr. Hu Zheng
Mr. Meng Xi
Mr. Su Xingang
Mr. Yu Liming
Mr. Hu Jianhua *(Managing Director)*
Mr. Wang Hong
Mr. Liu Yunshu
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis* (appointed on 14 July 2010)
Mr. Tsang Kam Lan* (passed away on 26 June 2010)

* *independent non-executive director*

REGISTERED OFFICE

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

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER

Linklaters

STOCK CODE

00144

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 2010

	2008 HK$'million	2009 HK$'million	**2010 HK$'million**	Changes 2010 vs 2009
Consolidated income statement highlights				
Revenue[1]	15,838	8,046	**12,142**	50.9%
Profit attributable to equity holders of the Company	2,019	1,728	**1,929**	11.6%
Non-recurrent gains, net of tax[2]	(87)	(582)	**(51)**	(91.2%)
Recurrent profit	1,932	1,146	**1,878**	63.9%
Earnings per share (HK cents)				
Basic	83.89	71.30	**79.25**	11.2%
Diluted	83.44	71.27	**79.06**	10.9%
Dividend per share (HK cents)				
Interim dividend	28.00	25.00	**25.00**	—
Consolidated statement of cash flows highlights				
Net cash inflow from operating activities	1,785	1,496	**1,307**	(12.6%)
Income received from held-to-maturity investments	2	—	**—**	—
Recurrent net cash inflow	1,787	1,496	**1,307**	(12.6%)

	31 December 2008 HK$'million	31 December 2009 HK$'million	**30 June 2010 HK$'million**
Consolidated statement of financial position highlights			
Total assets	50,493	52,468	**53,722**
Capital and reserves attributable to equity holders of the Company	30,280	33,563	**34,239**
Net interest bearing debts[3]	11,264	11,191	**10,235**

	2008 HK$'million	2009 HK$'million	**2010 HK$'million**	Changes 2010 vs 2009
Revenue[1]				
Ports operations	6,344	5,377	**6,106**	13.6%
Ports-related operations	9,479	2,653	**6,020**	126.9%
Other operations	15	16	**16**	—
Total	15,838	8,046	**12,142**	50.9%
EBITDA[4]				
Ports operations	3,242	2,637	**3,602**	36.6%
Ports-related operations	458	448	**522**	16.5%
Other operations	108	111	**67**	(39.6%)
Discontinued operation	156	—	**—**	—
EBITDA	3,964	3,196	**4,191**	31.1%
Unallocated net (expenses)/income[6]	(12)	441	**(72)**	(116.3%)
Net interest expenses[5]	(449)	(483)	**(507)**	5.0%
Taxation[5]	(427)	(348)	**(543)**	56.0%
Depreciation and amortisation[5]	(884)	(981)	**(976)**	(0.5%)
Profit for the period	2,192	1,825	**2,093**	14.7%
Non-controlling interests	(173)	(97)	**(164)**	69.1%
Profit attributable to equity holders of the Company	2,019	1,728	**1,929**	11.6%

Notes:

1. Include revenue of the Company, its subsidiaries and share of revenue of its associates and jointly controlled entities.
2. Include increase in fair value of investment properties, net of tax, of HK$51 million (2009: HK$90 million; 2008: HK$87 million) and gain on disposal of interests in subsidiaries of HK$492 million in 2009.
3. Interest bearing debts less cash and cash equivalents.
4. Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests, ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities.
5. Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and jointly controlled entities.
6. Include expenses for corporate function and gain on disposal of interests in subsidiaries.

Management Discussion and Analysis

In the first half of 2010, China's foreign trade showed a trend of growth recovery. Total value for imports and exports rose 43.1% over the same period last year, with exports and imports up 35.2% and 52.7% respectively. China's foreign trade reverted to growth, led mainly by the recovery in global economy as well as inventory restocking by Europe and the United States. Growth of exports to markets in ASEAN, Brazil and Indian is the main driver force behind China's export growth during the first half year.

During the period under review, the global shipping market has been recovering with noticeable increase in container traffic for all major trade routes. The Group took hold of the opportunity of an uprising market and sought to continue to improve customer service qualities thereby elevating customer satisfaction. Combined with further resource integration that brought about scale and synergy benefits, and implementation of intensified cost-control measures, these have enabled the Group to achieve remarkable operating results in the first half of the year.

For the period ended 30 June 2010, the profit attributable to the equity holders of the Company amounted to HK$1,929 million, representing an increase of 11.6% year-on-year. Of this amount, recurrent profit was HK$1,878 million, an increase of 63.9%. The Group's core segment of ports operations recorded an EBITDA of HK$3,602 million, representing an increase of 36.6% year-on-year. The share of EBITDA from ports operations relative to the Group's total EBITDA rose to 85.9%, up from 82.5% of last year.

The Group recorded revenue of HK$1,999 million, representing an increase of 21.1% year-on-year. Of this amount, revenue derived from the Group's port operations amounted to HK$1,983 million, an increase of 21.3%.

Ports operations

During the first half of the year, EBIT derived from the Group's ports operations amounted to HK$2,762 million, representing an increase of 56.4% year-on-year and accounting for 85.8% of the overall EBIT of the Group, up from 79.7% in the same period last year.

During the period under review, the port projects in which the Group is interested handled a total of 24,933,000 TEUs, representing an increase of 22.5% over that for the same period last year. Of this total, the volume handled by the Group's ports in Mainland China reached approximately 21,916,000 TEUs, a 24.6% increase year-on-year. Shenzhen Western Port Zone handled 5,568,000 TEUs, representing an increase of 31.7% year-on-year. Shanghai International Port (Group) Co., Ltd.

("SIPG") handled 13,855,000 TEUs approximately, an increase of 18.8% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd recorded a throughput of 755,000 TEUs, representing an increase of 46.1% year-on-year. Tianjin Five Continents International Container Terminal Co., Ltd. handled 910,000 TEUs, representing a decrease of 3.6% when compared to that handled in the same period last year. Zhangzhou China Merchants Port Co., Ltd ("Zhangzhou Port") recorded a throughput of 229,000 TEUs, an increase of 60.3%. Qingdao Qianwan United Container Terminal Limited ("QQCTU"), the joint-venture formed in December 2009 between the Group's wholly-owned subsidiary, China Merchants International Container Terminal (Qingdao) Co. Ltd ("CMT") and Qingdao New Qianwan Container Terminal Co., Ltd, a container handling unit of Qingdao Port Group Co., Ltd. ("QPG") recorded in the first half year of 2010 a throughput volume of 459,000 TEUs, reflecting a breakthrough of the Group's operation in Qingdao. Zhanjiang Port (Group) Co., Ltd. ("Zhanjiang Port Group") handled 124,000 TEUs, representing an increase of 47.5%; The Group's ports in Hong Kong recorded a throughput of 3,016,000 TEUs, an increase of 9.7%.

The ports of the Group handled in total 135 million tons of bulk cargoes in the first half of 2010, an increase of 25.3% over that for the same period last year. Of this total throughput, Zhanjiang Port Group handled 31,374,000 tons of throughput, representing an increase of 8.9% year-on-year. Shenzhen Western Port Zone handled approximately 18,032,000 tons, representing an increase of 5.5% year-on-year. Zhangzhou Port handled 3,471,000 tons, representing an increase of 3.0% year-on-year. SIPG handled 76,822,000 tons of bulk cargo, an increase of 31.4% year-on-year, while CMT handled 4,887,000 tons, a jump of 14.5 times year-on-year.

Statistics published by the Ministry of Transport of China reveal that key ports in China handled a total container throughput of 67,800,000 TEUs in the first half of the year, representing an increase of 22.3% year-on-year. Of this figure, container volumes handled by the Group's ports in the Mainland accounted for 32.3%. The Group's container throughput in the Mainland in the first half year recorded a growth of 24.6%, which is higher than the national average.

During the period under review, the Group's stake in Mega Shekou Container Terminals Limited has been, from March 2010 onward, raised to 80% upon certain conditions having been satisfied. This represented the final stage of the completion process in accordance with the asset restructure agreement signed with Modern Terminals Limited in December 2006. The Group continued its efforts to develop Shenzhen Western Port Zone so as to further enhance its competitiveness in the location. Business integration endeavours at Shenzhen Western Port Zone have helped to intensify the cooperation of container terminals within Group's Western Port Zone, namely, Chiwan Port Zone, Shekou Port Zone and Mawan Port Zone. At the operational level, container terminals handling foreign trade within the Western Port Zone have begun to share, under the cooperation mechanism, shoreline and equipment resources. The first half year also saw a number of environmental improvements at the Western Port Zone. In addition, the Group is urging government departments to enhance the access capacity of the Tonggu Channel with which the Western Port Zone's development will be, the Group expects, further enhanced.

Since Shenzhen Qianhaiwan Bonded Port Zone has been officially put into operation last year, the Group's port logistics business offered by China Merchants Maritime & Logistic (Shenzhen) Ltd. ("CMML") has been running smoothly with fast-growing business volume seen. The bonded logistics park's being adjacent to, and the policy incentives offered by, the Bonded Port Zone have attracted a number of well-known international logistics service-providers to establish regional distribution centers at the logistics park. Given the operating performance of CMML's bonded logistics business in the first half of the year, the role of the bonded logistics parks to promote the business of the Group's Shenzhen Western Port Zone is becoming increasingly prominent. The Group has continued to expand the South China shuttle barge services, whose network coverage has increased from 17 locations at the end of 2009 to 21 locations (covering 47 terminals) by the end of June this year. In the first half of the year, the number of containers accounted for by the South China shuttle barges increased 46.6% compared to the same period last year.

The Group believes that development at the Shenzhen Western Port Zone will continue to consolidate and enhance the competitive advantage of the Zone, whilst, at the same time, lending strong support – such as the provision of management experience and professional human resources - for the development of the Group's overseas projects.

Moreover, in June 2010, the Group signed an agreement with China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), pursuant to which CMHK agreed, for a one-off nominal consideration of Rmb 1 to entrust the Group with the right to manage and vote in respect of the 23.493% equity in China Nanshan Development (Group) Inc (the "Nanshan Group") beneficially-owned by Guangdong Guangye Investment Holdings Limited. The Nanshan Group, in which the Group already owns 37.014%, is a major shareholder in Shenzhen Chiwan Wharf Co., Ltd. and, in turn, Chiwan Container Terminal Co., Ltd. This agreement, which has been duly approved in August 2010 by the Group's shareholders other than the China Merchants Group, its majority shareholder, will enable the Group to further influence the business operation of the Nanshan Group, thereby enabling the Group to derive strategic benefits through a closer integration between the Group's port operations and those of the Nanshan Group, and in turn, strengthening the Group's presence in Shenzhen Western Port Zone.

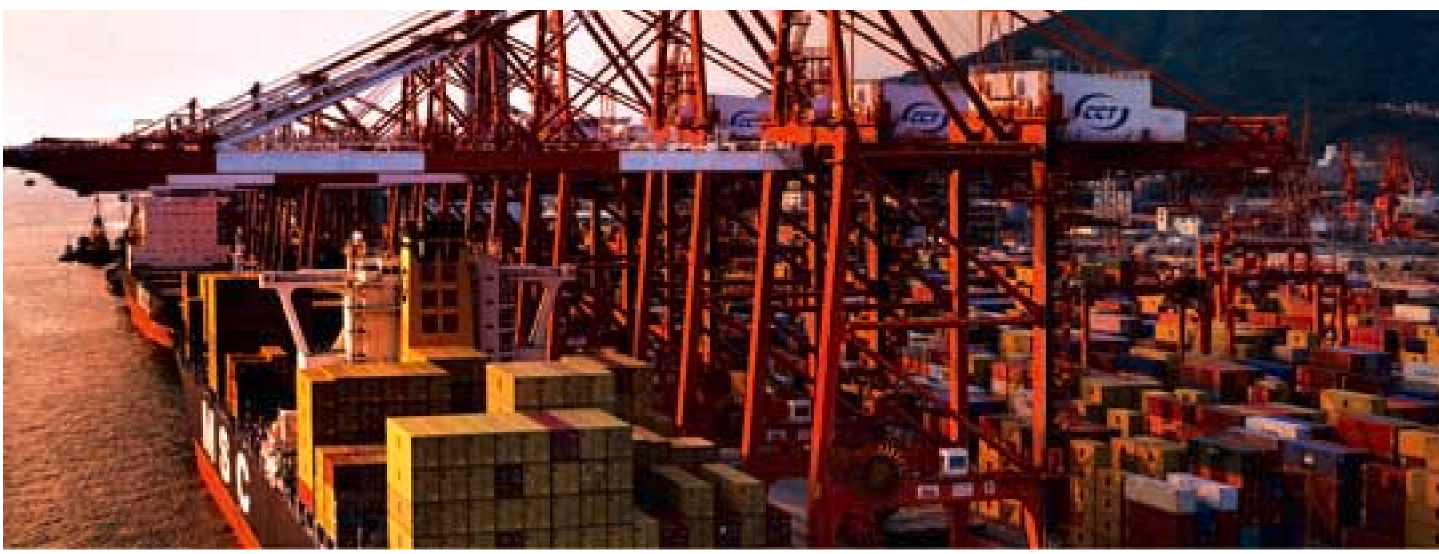
During the period under review, stemmed from the achievements made last year, the Group has continued to push further cost control measures. It has rolled out new procedures in areas such as establishing comparative cost-control indicator system benchmarks, building cost-analysis models and models aiming to optimize outsourcing mechanism, innovating equipment and production technologies, centralizing procurements and spare-parts management, and improving cost-control incentive systems. The Group believes that the measures so implemented will elevate its integrated operating qualities to a higher platform.

Subsequent to the conclusion in business cooperation between the Group and QPG in container handling at the end of last year, in June 2010, CMT signed a further agreement with QPG whereby the two parties agree to respectively inject into a new joint-venture from either side related resources for bulk cargo terminals at the Qianwan Port Zone in Qingdao. The new joint venture, named as Qingdao Qianwan West Port United Terminal Co. Limited, will operate two existing bulk berths from CMT and five existing berths from QPG at the Qianwan Port Zone. The full strategic co-operation between the Group and QPG is conducive to nurturing a mutually beneficial, harmonious and healthy business environment in the Qianwan Port Zone for creating new opportunities and rooms for future expansion. It also facilitates an overall planning that permits functional allocations through joining resources and optimizing port-zone utilization, hereby ensuring port resources at Qingdao are applied in the most advantageous pattern. In addition, it helps to accomplish scale and efficiency at terminals whilst satisfying the needs of cargo-owners and shipping customers, thereby delivering quality ports logistics services to, and thus enhancing the economic development of, the proximity. Overall, it will help to raise the net return on assets of the port and in turn create greater investment returns for shareholders.

During the first half of 2010, the Group has been steadily following its overseas development projects. In addition to the container terminal projects in Sri Lanka and Vietnam, the Group has been actively tracing opportunities in operating and management. The Group has, in response to prevailing economic conditions, made modest adjustments to its pace for developing overseas projects. As current market environment changes, the Group expects to see new progress for overseas investment projects during the year.

Ports-related operations

During the first half of 2010, EBIT generated by the Group's ports-related operations amounted to HK$389 million, an increase of 13.7% when compared to that for the same period last year. China International Marine Containers (Group) Co., Ltd. resumed strong growth in container and road vehicle business driven by economic recovery. Sales from dry box and refrigerated box business increased to 425,300 TEUs and 33,000 TEUs this year from 4,500 TEUs and 23,500 TEUs in the same period last year respectively. Special containers



recorded sales of 24,500 units, down 9.4% over the same period last year. Special road vehicles recorded sales of 83,000 units, up 85.3% over the same period last year.

Corporate Social Responsibility

At the same time as it seeks to create shareholders' value and provide quality services to customers, the Group as a corporate citizen always aims to duly perform its corporate social responsibilities and obligations by devoting resources and contributions in the areas of environmental protection and social activities.

In compliance with provisions of the Chinese Government and the Hong Kong Government, the Group has succeeded in reducing waste gas emissions from its operations and has implemented measures to control such emission. Meanwhile, benchmarking off similar standards initiated by the International Maritime Organization (IMO) and the Intergovernmental Panel on Climate Change (IPCC), the Group has drawn up dedicated programmes for environmental protection and sustainable developments. The "oil-to-electricity" programme, which converts rubber tyre gantry cranes at Shenzhen Western Port Zone from consuming diesel oil to consuming electricity has greatly reduced pollution within the port area. The use of South China shuttle barges has offered a significantly-lower-emission alternative for container box traffic along the Pearl River Delta than if these boxes were carried by land transport. The policy for ships docked to switch to "shore" power implemented in QQCTU has significantly lessened gas emissions at the terminal's quay area. The Group has adopted stringent policies in ensuring health and safety and has, via its head office and certain terminal units, been carrying certifications such as ISO14001 and ISO28000, which help to not only elevate the Group's supply chain security standards but also enable the Group to identify and hence mitigate risks that could possibly emerge.

During the first six months of this year, in addition, the Group has contributed in the areas such as offering help to those needy students and the poor, made charitable donations and engaged in community services, etc. The Group is also one of the funding members of the China Merchants Charity Fund, the charter of which is to help the poor and patients of certain diseases and to provide ready assistance to the society when needed, for instance, for the recent disaster relief in China.

Future prospects

Whilst the total container throughput of ports in China during the first half of the year has sequentially peaked, the container volume for certain major coastal ports has yet to align to their respective levels achieved for the same period last year. In addition, the Group has noticed that China's exports during this period, though having increased substantially over those for the corresponding period last year, only represents single-digit percentage growth when compared to the same period of 2008. Changes in the external markets such as the European sovereign debt crisis and international trade frictions have all compounded to the uncertainty of the prevailing trend of China's foreign trade.

In the meantime, although the growth of container throughput might be slightly dampened due to the lagging effect of the sovereign debt crisis in Europe, the Group maintains that opportunities for new growth still exist in the market. The official launch of the China-ASEAN Free Trade Area and the bilateral trades between China and respectively Brazil, India and other emerging markets will be the main growth drivers for foreign trade, which will, it is expected, be the new growth potential for China's foreign trade. During the period under review, trade volume between China and the ASEAN countries basically equals to that for China and Japan, and the ASEAN countries are expected to soon surpass Japan and become China's third largest trading partner. The Group is of the view that China's economic growth and its pursuing a proactive foreign trade policy will facilitate the continuous and steady development of China's port industry.

In the second half of the year, the Group will proceed to intensify its management efforts by streamlining and integrating processes at all levels - from customer services to business development, operations and cost management, capitalizing on available opportunities with a view to achieving better results. The Group will continue to encourage synchronised cooperation in the areas of business and operation within the Shenzhen Western Port Zone so as to create synergy for the ports in the location. The Group will work towards enhancing the competitive edge of Shenzhen Western Port Zone by tapping the incentive policies availed by Shenzhen Qianhaiwan Bonded Port Zone as well as by offering innovative and customer-oriented services. The Group will continue to implement technological innovating programmes such as the "oil-to-electricity" conversion for rubber tire gantry cranes so as to continue to streamline the operational processes at terminals, enhance efficiency through advanced cost management models, all in all resulting in value creation for both customers and shareholders. The Group will also continue to place increasing emphasis on environmental protection and on establishing "green" ports, which will ensure sustainable development of ports.

In addition to consolidating and enhancing its existing terminal network on an on-going basis, the Group is actively positioning for the future through identifying and monitoring of investment opportunities, both domestic and international.

Following up the formation in April 2010 of China Merchants Americold Logistics Company Limited ("CMAC"), a 51%:49% joint venture between the Group and Americold Realty Trust, in July this year CMAC acquired from the Group the latter's 70% shareholding in China Merchants International Cold Chain (Shenzhen) Company Limited. CMAC has also agreed to acquire from Rich Products Corporation the latter's business in cold chain logistics service conducted through Kang Xin Logistics (Tianjin) Co., Ltd. The Group values the business potential induced by the increasing consumption demand in China resulted from improvements in domestic affluence. Spring-boarded from its platform of an integrated ports operation, this investment in the cold chain logistics service sector through CMAC, therefore, will represent not only an important step of the Group in implementing its strategy towards engaging in integrated third-party logistics, but also a new business and earnings driver for the Group in future.

In July 2010, the Group signed a full strategic cooperation framework agreement with Chu Kong Shipping Development Company Limited under which the two parties agree to apply their respective resource advantages, including terminals, cargo- and transport- networks in the Pearl River Delta towards further smoothening the river-sea connectivity and hence expanding the cargo traffic business in the Shenzhen Western Port Zone. This alliance is expected to reinforce Shenzhen Western Port Zone as the key international maritime hub at the Pearl River Delta for cargo traffic generated throughout South China, thereby enabling the Shenzhen Western Port Zone to create incremental container throughput.

With our years of experience in the industry and our business management capabilities, and backed by the Group's comprehensive positioning of ports assets in China, we firmly believe that our ports operations will continue to secure sustainable growth alongside China's steady economic development. In addition, the Group will timely capitalize on available opportunities to expand overseas with a view to adding new growth drivers for its business. The Group is of the opinion that there is still significant scope for expansion within the ports sector and the Group will be able to realize better economic benefits and investment returns for shareholders.

Liquidity and treasury policies

As at 30 June 2010, the Group had approximately HK$3,995 million in cash, 56.6% of which was denominated in Hong Kong dollars, 5.5% in United States dollars, 37.3% in Renminbi and 0.6% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports and ports-related businesses, and investment returns from associates and jointly controlled entities, which together contributed HK$1,307 million in total.

During the period, the Group's capital expenditure amounted to HK$199 million while the Group continues to adhere to a prudent financial policy and to maintain a sound financial position by holding an appropriate level of cash to meet its operating requirements. In addition, as a significant portion of the Group's bank loans were medium- to long- term borrowings, the Group supported by adequate undrawn bilateral facilities does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 30 June 2010, the Company had 2,433,369,023 shares in issue. During the period, the Company issued 620,000 new shares upon the exercise of share options and received HK$12 million as a result. On 16 July 2010, the Company issued 6,439,274 shares under the Company's scrip dividend scheme.

As at 30 June 2010, the Group's net gearing ratio (net interest-bearing debts divided by net assets attributable to the Company's equity holders) was approximately 29.9%.

Considering the currency mix of its assets and liabilities and that significant depreciation of Renminbi is not expected, the Group has not entered into any specific hedging arrangements for its foreign currency investments during the period.

As at 30 June 2010, the Group's outstanding interest-bearing debts were analyzed as below:

	30 June 2010 HK$'million	31 December 2009 HK$'million
Floating-rate bank borrowings which are repayable *(Note)*:		
Within 1 year	**1,785**	1,795
Between 1 and 2 years	**295**	394
Between 2 and 5 years	**1,053**	1,123
Not wholly repayable within 5 years	**80**	79
	3,213	3,391
Fixed-rate listed notes payables are repayable:		
In 2013	**2,322**	2,312
In 2015	**3,878**	3,862
In 2018	**1,535**	1,528
	7,735	7,702
Loans from the ultimate holding company	**2,638**	2,566
Loans from an intermediate holding company	**644**	738

Note: all bank borrowings are unsecured except for HK$6 million (2009: HK$7 million).

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

	30 June 2010					31 December 2009				
	Bank borrowings HK$'million	Listed notes payable HK$'million	Loans from an intermediate holding company HK$'million	Loans from the ultimate holding company HK$'million	Total HK$'million	Bank borrowings HK$'million	Listed notes payable HK$'million	Loans from an intermediate holding company HK$'million	Loans from the ultimate holding company HK$'million	Total HK$'million
HKD & USD	**2,900**	**7,735**	**–**	**–**	**10,635**	2,926	7,702	–	–	10,628
RMB	**313**	**–**	**644**	**2,638**	**3,595**	465	–	738	2,566	3,769
	3,213	**7,735**	**644**	**2,638**	**14,230**	3,391	7,702	738	2,566	14,397

Assets charge

As at 30 June 2010, the Company did not have any charge over its assets. However, bank loans of HK$6 million (31 December 2009: HK$7 million) borrowed by a subsidiary were secured by its property, plant and equipment with net book value as at 30 June 2010 of HK$30 million (31 December 2009: HK$47 million).

Employees and remuneration

As at 30 June 2010, the Group employed 4,035 full time staff, of which 56 worked in Hong Kong and the remaining 3,979 were in the PRC. The remuneration paid for the period amounted to HK$253 million, representing 21.3% 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 their performance, the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job related skills. Moreover, the Group offers 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.

Interim dividend

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 25 HK cents per share in scrip form for the period, represents a dividend payout of 31.6%. The interim dividend will be paid on or around 26 November 2010 to shareholders whose names appear on the register of members of the Company on 8 October 2010, 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 22 October 2010. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited 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 26 November 2010.

Closure of register

The Register of Members will be closed from 4 October 2010 to 8 October 2010 (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 Rooms

1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30 September 2010. The interim dividend will be paid on or around 26 November 2010 to shareholders whose names appear on the register of members of the Company on 8 October 2010.

Directors' interests in securities

As at 30 June 2010, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and share options in the Company

Name of Director	Capacity	Nature of interest	Number of shares in the Company	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 2010
Dr. Fu Yuning	Beneficial owner	Personal interest	539,029	400,000	0.0386%
Mr. Li Yinquan	Beneficial owner	Personal interest	—	450,000	0.0185%
Mr. Hu Zheng	Beneficial owner	Personal interest	—	700,000	0.0288%
Mr. Meng Xi	Beneficial owner	Personal interest	—	200,000	0.0082%
Mr. Su Xingang	Beneficial owner	Personal interest	—	350,000	0.0144%
Mr. Yu Liming	Beneficial owner	Personal interest	354,567	500,000	0.0351%
Mr. Wang Hong	Beneficial owner	Personal interest	513,605	150,000	0.0273%
Mr. Liu Yunshu	Beneficial owner	Personal interest	—	400,000	0.0164%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	147,040	—	0.0060%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,472,714	—	0.0605%
			3,026,955	**3,150,000**	**0.2538%**

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2010, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Share option scheme

At an extraordinary general meeting of the Company held on 20 December 2001, the shareholders of the Company adopted the share option scheme (the "Share Option Scheme") and a previous share option scheme was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates ("Eligible Persons"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by 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 interests of the Company to extend the Share Option 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 Share Option Scheme to effect such extension of Eligible Persons.

Details of the share options outstanding as at 30 June 2010 which have been granted under the Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2010	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Options changes during the period	Options held as at 30 June 2010
Directors								
Dr. Fu Yuning	25 May 2006	23.03	400,000	–	–	–	–	400,000
Mr. Li Yinquan	27 October 2004	11.08	50,000	–	–	–	–	50,000
	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	25 May 2006	23.03	200,000	–	–	–	–	200,000
Mr. Su Xingang	25 May 2006	23.03	350,000	–	–	–	–	350,000
Mr. Yu Liming	25 May 2006	23.03	500,000	–	–	–	–	500,000
Mr. Wang Hong	25 May 2006	23.03	150,000	–	–	–	–	150,000
Mr. Liu Yunshu	25 May 2006	23.03	400,000	–	–	–	–	400,000
			3,150,000	**–**	**–**	**–**	**–**	**3,150,000**
Continuous contract employees								
(I) The Group	27 October 2004	11.08	1,430,000	–	(170,000)	–	–	1,260,000
	25 May 2006	23.03	12,861,000	–	(420,000)	–	–	12,441,000
	21 June 2006	20.91	150,000	–	–	–	–	150,000
(II) The CMHK	11 October 2002	4.985	100,000	–	–	–	–	100,000
Group	27 October 2004	11.08	1,058,000	–	(30,000)	–	–	1,028,000
	25 May 2006	23.03	11,644,000	–	–	–	–	11,644,000
			27,243,000	**–**	**(620,000)**	**–**	**–**	**26,623,000**
			30,393,000	**–**	**(620,000)**	**–**	**–**	**29,773,000**

Notes:

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$28.46.
3. No share options were granted during the period.

Substantial shareholders

As at 30 June 2010, the following persons, other than a director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Positions

Name of substantial shareholder	Nature of interest	Ordinary Shares held	Percentage of total issued Shares
China Merchants Group Limited	Interest of Controlled Corporation	1,352,647,266[1,2,3]	55.59%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,349,647,266[2]	55.46%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,349,647,266[2]	55.46%
China Merchants Union (BVI) Limited	Beneficial Owner	1,332,525,504[2]	54.76%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	Investment Manager	145,910,554	6.00%

Notes:

1. Each of China Merchants Steam Navigation Company Limited and China Merchants Shekou Industrial Zone Company Limited is wholly-owned by China Merchants Group Limited ("CMG"). CMG is deemed to be interested in 1,352,647,266 shares, which represents the aggregate of 1,349,647,266 shares deemed to be held by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,000,000 shares deemed to be held by China Merchants Shekou Industrial Zone Company Limited (see Note 3 below).
2. China Merchants Holdings (Hong Kong) Company Limited is wholly-owned by China Merchants Steam Navigation Company Limited. Each of China Merchants Union (BVI) Limited and China Merchants International Finance Company Limited is in turn wholly-owned by China Merchants Holdings (Hong Kong) Company Limited.

   China Merchants Steam Navigation Company Limited is deemed to be interested in 1,349,647,266 shares which are deemed to be held by China Merchants Holdings (Hong Kong) Company Limited. Such shares represent the aggregate of 1,332,525,504 shares beneficially held by China Merchants Union (BVI) Limited and 17,121,762 shares beneficially held by Best Winner Investment Limited.

   As Best Winner Investment Limited is wholly-owned by China Merchants International Finance Company Limited, China Merchants International Finance Company Limited is deemed to be interested in the 17,121,762 shares beneficially held by Best Winner Investment Limited.
3. Top Chief Company Limited is wholly-owned by China Merchants Shekou Industrial Zone Company Limited and Orienture Holdings Company Limited is in turn wholly-owned by Top Chief Company Limited. China Merchants Shekou Industrial Zone Company Limited is deemed to be interested in the 3,000,000 shares which are deemed to be held by Top Chief Company Limited. Such shares represent the 3,000,000 shares beneficially held by Orienture Holdings Company 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.

Corporate Governance

(a) Compliance with the Code on Corporate Governance Practices

Save as disclosed below, 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

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. With effect from 26 March 2010, Mr. Hu Jianhua has been re-designated as the Managing Director of the Company in place of Dr. Fu Yuning. Dr. Fu remains as the Chairman of the Company.

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

(b) Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, each of them confirmed that he has 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. Mr. Lee Yip Wah Peter was appointed as the Chairman of the Audit Committee in replacement of the late Mr. Tsang Kam Lan. 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 results for the six months ended 30 June 2010.

Update on Director's Biographical Details

Dr. Fu Yuning, the Chairman of the Company, was appointed as Chairman of China Merchants Group Limited with effect from 23 August 2010.

Mr. Wang Hong, Executive Director of the Company, was appointed as a director of China Merchants Energy Shipping Co., Ltd. (shares of which are listed on the Shanghai Stock Exchange) with effect from 27 May 2010.

Mr. Li Ka Fai David, Independent Non-executive Director of the Company, was appointed as an independent non-executive director of Neo-China Land Group (Holdings) Limited and Goldlion Holdings Limited (both of which are listed on The Stock Exchange of Hong Kong Limited) with effect from 5 July 2010 and 3 August 2010 respectively.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

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, 30 August 2010

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	Unaudited 2010 HK$'million	2009 HK$'million
Continuing operations			
Revenue	4	**1,999**	1,651
Cost of sales	7	**(1,013)**	(964)
Gross profit		**986**	687
Other gains, net	6	**167**	112
Other income	6	**78**	84
Administrative expenses	7	**(173)**	(188)
Operating profit		**1,058**	695
Finance income	8	**16**	8
Finance costs	8	**(322)**	(331)
Finance costs - net	8	**(306)**	(323)
Share of profits less losses of			
Associates		**1,400**	1,055
Jointly controlled entities		**125**	58
Profit before taxation		**2,277**	1,485
Taxation	9	**(184)**	(152)
Profit for the period from continuing operations		**2,093**	1,333
Discontinued operation			
Profit for the period from discontinued operation	10	**—**	492
Profit for the period		**2,093**	1,825
Attributable to:			
Equity holders of the Company			
– continuing operations		**1,929**	1,236
– discontinued operation		**—**	492
		1,929	1,728
Non-controlling interests			
– continuing operations		**164**	97
– discontinued operation		**—**	—
		164	97
Profit for the period		**2,093**	1,825
Dividends	11	**610**	607

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	Unaudited **2010** **HK$'million**	 2009 HK$'million
Earnings per share for profit attributable to equity holders of the Company	12		
From continuing operations			
– basic (HK cents)		**79.25**	50.98
– diluted (HK cents)		**79.06**	50.96
From discontinued operation			
– basic (HK cents)		**–**	20.32
– diluted (HK cents)		**–**	20.31

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Unaudited 2010 HK$'million	2009 HK$'million
Profit for the period	**2,093**	1,825
Other comprehensive income		
Share of investment revaluation reserves of associates	**(175)**	(21)
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities	**231**	(28)
(Decrease)/increase in fair value of available-for-sale financial assets	**(511)**	592
Realisation of reserves upon disposal of subsidiaries	**–**	(19)
Total other comprehensive (loss)/income for the period, net of tax	**(455)**	524
Total comprehensive income for the period	**1,638**	2,349
Total comprehensive income attributable to:		
– equity holders of the Company	**1,443**	2,252
– non-controlling interests	**195**	97
	1,638	2,349

Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Note	**Unaudited 30 June 2010 HK$'million**	Restated Audited 31 December 2009 HK$'million
ASSETS			
Non-current assets			
Goodwill	13	**2,513**	2,513
Property, plant and equipment	13	**10,613**	10,990
Investment properties	13	**974**	919
Land use rights	13	**6,799**	6,893
Interests in associates		**19,107**	18,787
Interests in jointly controlled entities		**3,963**	2,742
Other financial assets		**2,326**	2,837
Prepayment		**69**	68
Deferred tax assets		**34**	34
		46,398	45,783
Current assets			
Inventories		**41**	40
Debtors, deposits and prepayments	14	**1,944**	886
Cash and cash equivalents		**3,995**	3,206
		5,980	4,132
Non-current assets held for sale	15	**1,344**	2,553
		7,324	6,685
Total assets		**53,722**	52,468

	Note	Unaudited 30 June 2010 HK$'million	Restated Audited 31 December 2009 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**243**	243
Reserves		**33,386**	32,541
Proposed dividend		**610**	779
		34,239	33,563
Non-controlling interests		**2,241**	2,056
Total equity		**36,480**	35,619
LIABILITIES			
Non-current liabilities			
Other financial liabilities	17	**9,163**	9,298
Deferred tax liabilities		**723**	736
		9,886	10,034
Current liabilities			
Creditors and accruals	18	**2,113**	1,593
Loans from the ultimate holding company	19	**2,638**	2,566
Loans from an intermediate holding company	20	**644**	738
Other financial liabilities	17	**1,847**	1,857
Taxation payable		**114**	61
		7,356	6,815
Total liabilities		**17,242**	16,849
Total equity and liabilities		**53,722**	52,468
Net current liabilities		**(32)**	(130)
Total assets less current liabilities		**46,366**	45,653

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total
	Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Sub-total HK$'million	HK$'million	HK$'million
At 1 January 2010	243	14,399	6,424	12,497	33,563	2,056	35,619
Comprehensive income							
Profit for the period	–	–	–	1,929	1,929	164	2,093
Other comprehensive income							
Share of investment revaluation reserves of associates	–	–	(175)	–	(175)	–	(175)
Exchange differences from translation of financial statements of subsidiaries, associates and jointly controlled entities	–	–	200	–	200	31	231
Decrease in fair value of available-for-sale financial assets	–	–	(511)	–	(511)	–	(511)
Total other comprehensive (loss)/income for the period, net of tax	–	–	(486)	–	(486)	31	(455)
Total comprehensive (loss)/ income for the period	–	–	(486)	1,929	1,443	195	1,638
Transactions with owners							
Issue of shares on exercise of share options, net of share issue expenses	–	12	–	–	12	–	12
Transfer to reserves	–	–	113	(113)	–	–	–
Dividend	–	–	–	(779)	(779)	(10)	(789)
Total transactions with owners for the period	–	12	113	(892)	(767)	(10)	(777)
At 30 June 2010	243	14,411	6,051	13,534	34,239	2,241	36,480

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total
	Share capital HK$'million	Share premium HK$'million	Other reserves HK$'million	Retained earnings HK$'million	Sub-total HK$'million	HK$'million	HK$'million
At 1 January 2009	242	14,186	5,117	10,735	30,280	2,434	32,714
Comprehensive income							
Profit for the period	–	–	–	1,728	1,728	97	1,825
Other comprehensive income							
Share of investment revaluation reserves of associates	–	–	(21)	–	(21)	–	(21)
Exchange differences from translation of financial statements of associates and jointly controlled entities	–	–	(28)	–	(28)	–	(28)
Increase in fair value of available-for-sale financial assets	–	–	592	–	592	–	592
Realisation of reserves upon disposal of subsidiaries	–	–	(148)	129	(19)	–	(19)
Total other comprehensive income for the period, net of tax	–	–	395	129	524	–	524
Total comprehensive income for the period	–	–	395	1,857	2,252	97	2,349
Transactions with owners							
Issue of shares on exercise of share options, net of share issue expenses	–	1	–	–	1	–	1
Transfer to reserves	–	–	93	(93)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(375)	(375)
Dividend	–	–	–	(969)	(969)	(24)	(993)
Total transactions with owners for the period	–	1	93	(1,062)	(968)	(399)	(1,367)
At 30 June 2009	242	14,187	5,605	11,530	31,564	2,132	33,696

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Unaudited	
	2010	2009
	HK$'million	HK$'million
Net cash inflow from operating activities	**1,307**	1,496
Net cash inflow from investing activities	**90**	273
Net cash outflow from financing activities	**(622)**	(324)
Net increase in cash and cash equivalents	**775**	1,445
Cash and cash equivalents at 1 January	**3,206**	2,806
Effect of foreign exchange rate changes	**14**	—
Cash and cash equivalents at 30 June	**3,995**	4,251

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.

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, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 30 August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

(i) Revision and amendments to existing Standards adopted by the Group

The following revision and amendments to existing Standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (Revised) "Business combinations", and consequential amendments to HKAS 27 "Consolidated and separate financial statements", HKAS 28 "Investments in associates", and HKAS 31 "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes as compared with HKFRS 3. For example: (i) all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement; (ii) there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets; (iii) all acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) "Consolidated and separate financial statements", at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has adopted the revised Standards to all business combinations prospectively from 1 January 2010.

3 Accounting policies (Continued)

(i) *Revision and amendments to existing Standards adopted by the Group* (Continued)

- HKFRS 5 "Non-current assets held for sale and discontinued operations" under the first improvements to HKFRSs (2008) issued in October 2008 and under second improvements to HKFRSs (2009) issued in May 2009 by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The amendment requires that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The amendment also clarifies the disclosure requirements in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

- HKAS 17 (amendment) "Lease" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The effect of the adoption of this amendment is as below:

	As at 1 January 2010 HK$'million	As at 1 January 2009 HK$'million
Decrease in leasehold land and land use rights	**(146)**	(149)
Increase in property, plant and equipment	**146**	149

3 Accounting policies (Continued)

(ii) Amendments and interpretations to existing Standards effective in 2010 but not relevant to the Group

- HKAS 39 (Amendment) "Eligible hedged items"
- HKFRS 1 (Amendment) "Additional exemptions for first-time adopters"
- HKFRS 2 (Amendment) "Group cash-settled share-based payment transaction"
- HK(IFRIC)-Int 17 "Distributions of non-cash assets to owners"
- Second improvements to HKFRSs (2009) were issued in May 2009 by HKICPA, except for amendments to HKFRS 5 and HKAS 17

(iii) Revised Standard that is not effective in 2010 but has been early adopted by the Group

- HKAS 24 (Revised) "Related party disclosures" (effective from 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose: (i) the name of the government and the nature of their relationship; (ii) the nature and amount of any individually-significant transactions; and (iii) the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group has partially early adopted the exemption for disclosures of transactions among government-related entities and the government since 1 January 2009.

(iv) The following new/revised Standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKAS 24 (Revised) "Related party disclosures - Change of definition of related party"
- HKAS 32 (Amendment) "Classification of rights issue"
- Amendment to HKFRS 1 "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters"
- HKFRS 9 "Financial instruments"
- Amendments to HK(IFRIC) Int-14 "Prepayments of a minimum funding requirement"
- HK(IFRIC)-Int 19 "Extinguishing financial liabilities with equity instruments"

3 Accounting policies (Continued)

(v) *HKICPA's improvements to HKFRSs published in May 2010*

HKICPA's third annual improvements project to HKFRSs has been published in May 2010. These improvements to HKFRSs have introduced certain amendments to those standards set out below. These amendments are not effective in 2010 and have not been early adopted. The Group is assessing the impact of these amendments. The Group will apply these amendments from 1 January 2011.

- HKAS 1 "Presentation of financial statements"
- HKAS 27 "Consolidated and separate financial statements"
- HKAS 34 "Interim financial reporting"
- HKFRS 1 "First time adoption of International Financial Reporting Standards"
- HKFRS 3 (Revised) "Business combinations"
- HKFRS 7 "Financial instruments: Disclosures"
- HK(IFRIC)-Int 13 "Customer loyalty programmes"

4 Revenue

The principal activities of the Group comprise ports operations and ports-related operations. Revenue consists of turnover recognised under the following business activities during the period.

	Six months ended 30 June	
	2010	2009
	HK$'million	HK$'million
Ports service and transportation income, container service and container yard management income	**1,983**	1,635
Gross rental income from investment properties	**16**	16
	1,999	1,651

5 Segment information

The Chief Operation Decision-Maker ("CODM") has been identified as the key management team of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM considers the Group's operations from both a business and geographic perspective. From a business perspective, management assesses the performance of business operations including ports operations, ports-related operations and other operations. Ports operations are further evaluated on a geographic basis including Shenzhen, Hong Kong, Ningbo and Shanghai, and other locations.

Ports operations include container terminal operation, bulk and general cargo terminal operation, logistics park operation, ports transportation and airport cargo handling operated by the Group and the Group's associates and jointly controlled entities. Ports-related operations include paint manufacturing operated by the Group, which was disposed in January 2009, and container manufacturing operated by the Group's associate. Other operations include property investment and corporate function.

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

The Group is domiciled in Mainland China. Over 90% of its non-current assets are located in Mainland China and over 90% of its revenue are derived from ports operations in Mainland China. There is no single customer who accounted for over 10% of the Group's total revenue.

5 Segment information (Continued)

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of jointly controlled entities" below represent the Group's share of revenue of associates and jointly controlled entities respectively. An analysis of the Group's revenue by segments is as follows:

	For the six months ended 30 June 2010							
	Ports operations					Ports-related operations	Other operations	Total
	Shenzhen HK$'million	Hong Kong HK$'million	Ningbo and Shanghai HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	Property investment HK$'million	HK$'million
Revenue								
Company and subsidiaries	1,693	98	–	192	1,983	–	16	1,999
Share of associates	880	497	2,105	3	3,485	6,020	–	9,505
Share of jointly controlled entities	16	–	121	501	638	–	–	638
Total	2,589	595	2,226	696	6,106	6,020	16	12,142

	For the six months ended 30 June 2009							
	Ports operations					Ports-related operations	Other operations	Total
	Shenzhen HK$'million	Hong Kong HK$'million	Ningbo and Shanghai HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	Property investment HK$'million	HK$'million
Revenue								
Company and subsidiaries	1,426	80	–	129	1,635	–	16	1,651
Share of associates	1,038	453	1,816	–	3,307	2,653	–	5,960
Share of jointly controlled entities	13	–	88	334	435	–	–	435
Total	2,477	533	1,904	463	5,377	2,653	16	8,046

5 **Segment information** (Continued)

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows:

	For the six months ended 30 June 2010									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen HK$'million	Hong Kong HK$'million	Ningbo and Shanghai HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	Property investment HK$'million	Corporate function HK$'million	Sub-total HK$'million	HK$'million
Continuing operations										
Operating profit/(loss)	911	10	46	99	1,066	–	67	(75)	(8)	1,058
Share of profits less losses of										
– Associates	272	169	701	(2)	1,140	260	–	–	–	1,400
– Jointly controlled entities	2	–	35	88	125	–	–	–	–	125
	1,185	179	782	185	2,331	260	67	(75)	(8)	2,583
Finance costs - net	(32)	–	–	(42)	(74)	–	–	(232)	(232)	(306)
Taxation	(110)	(2)	(41)	(5)	(158)	(22)	(4)	–	(4)	(184)
Profit/(loss) for the period from continuing operations	1,043	177	741	138	2,099	238	63	(307)	(244)	2,093
Non-controlling interests	(160)	–	–	(4)	(164)	–	–	–	–	(164)
Profit/(loss) attributable to equity holders of the Company	883	177	741	134	1,935	238	63	(307)	(244)	1,929
Discontinued operation										
Gain on disposal of discontinued operation	–	–	–	–	–	–	–	–	–	–
Non-controlling interests										164
Profit attributable to equity holders of the Company										1,929
Profit for the period										2,093
Other information:										
Depreciation and amortisation										
Continuing operations	307	4	–	63	374	–	–	3	3	377
Capital expenditure										
Continuing operations	169	6	–	24	199	–	–	–	–	199

5 Segment information (Continued)

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and jointly controlled entities by segments is as follows: (Continued)

	For the six months ended 30 June 2009									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen HK$'million	Hong Kong HK$'million	Ningbo and Shanghai HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	Property investment HK$'million	Corporate function HK$'million	Sub-total HK$'million	HK$'million
Continuing operations										
Operating profit/(loss)	625	5	31	(23)	638	–	108	(51)	57	695
Share of profits less losses of										
– Associates	162	168	497	(5)	822	233	–	–	–	1,055
– Jointly controlled entities	3	–	15	40	58	–	–	–	–	58
	790	173	543	12	1,518	233	108	(51)	57	1,808
Finance costs - net	(49)	–	–	(34)	(83)	–	–	(240)	(240)	(323)
Taxation	(77)	(1)	(29)	(5)	(112)	(33)	(7)	–	(7)	(152)
Profit/(loss) for the period from continuing operations	664	172	514	(27)	1,323	200	101	(291)	(190)	1,333
Non-controlling interests	(99)	–	–	2	(97)	–	–	–	–	(97)
Profit/(loss) attributable to equity holders of the Company	565	172	514	(25)	1,226	200	101	(291)	(190)	1,236
Discontinued operation										
Gain on disposal of discontinued operation	–	–	–	–	–	492	–	–	–	492
Non-controlling interests										97
Profit attributable to equity holders of the Company										1,728
Profit for the period										1,825
Other information:										
Depreciation and amortisation										
Continuing operations	294	4	–	104	402	–	–	3	3	405
Capital expenditure										
Continuing operations	248	1	–	128	377	–	–	–	–	377

5 Segment information (Continued)

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

	As at 30 June 2010									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen	Hong Kong	Ningbo and Shanghai	Other locations	Sub-total		Property investment	Corporate function	Sub-total	
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Segment assets (excluding interests in associates and jointly controlled entities)	20,001	176	2,106	3,206	25,489	–	981	2,804	3,785	29,274
Interests in associates	2,219	2,132	10,159	103	14,613	4,494	–	–	–	19,107
Interests in jointly controlled entities	25	3	677	3,258	3,963	–	–	–	–	3,963
Total segment assets	22,245	2,311	12,942	6,567	44,065	4,494	981	2,804	3,785	52,344
Non-current assets held for sale	–	–	–	1,344	1,344	–	–	–	–	1,344
	22,245	2,311	12,942	7,911	45,409	4,494	981	2,804	3,785	53,688
Deferred tax assets										34
Total assets										53,722
Segment liabilities	(3,979)	(41)	–	(2,354)	(6,374)	–	(5)	(10,026)	(10,031)	(16,405)
Taxation payable										(114)
Deferred tax liabilities										(723)
Total liabilities										(17,242)

5 Segment information (Continued)

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

	As at 31 December 2009									
	Ports operations					Ports-related operations	Other operations			Total
	Shenzhen HK$'million	Hong Kong HK$'million	Ningbo and Shanghai HK$'million	Other locations HK$'million	Sub-total HK$'million	HK$'million	Property investment HK$'million	Corporate function HK$'million	Sub-total HK$'million	HK$'million
Segment assets (excluding interests in associates and jointly controlled entities)	19,336	89	1,924	3,524	24,873	–	927	2,552	3,479	28,352
Interests in associates	2,117	2,145	10,061	104	14,427	4,360	–	–	–	18,787
Interests in jointly controlled entities	22	3	675	2,042	2,742	–	–	–	–	2,742
Total segment assets	21,475	2,237	12,660	5,670	42,042	4,360	927	2,552	3,479	49,881
Non-current assets held for sale	–	–	–	2,553	2,553	–	–	–	–	2,553
	21,475	2,237	12,660	8,223	44,595	4,360	927	2,552	3,479	52,434
Deferred tax assets										34
Total assets										52,468
Segment liabilities	(4,290)	(41)	–	(2,485)	(6,816)	–	(5)	(9,231)	(9,236)	(16,052)
Taxation payable										(61)
Deferred tax liabilities										(736)
Total liabilities										(16,849)

6 Other gains, net and other income

	Six months ended 30 June	
	2010	2009
	HK$'million	HK$'million
Other gains, net		
Increase in fair value of investment properties	**55**	96
Reversal of provision for terminal construction cost	**58**	—
Gain on disposal of land use rights and property, plant and equipment	**61**	24
Net exchange losses	**(7)**	(8)
	167	112
Other income		
Dividend income from available-for-sale financial assets	**74**	84
Others	**4**	—
	78	84

7 Expenses by nature

	Six months ended 30 June	
	2010	2009
	HK$'million	HK$'million
Depreciation of property, plant and equipment	**313**	336
Amortisation of land use rights	**64**	69
Staff costs (including Directors' emoluments)	**253**	240
Fuel and utilities	**124**	109
Subcontracting fees	**205**	167
Operating lease rentals in respect of		
– land and buildings	**47**	51
– plant and machinery	**14**	24
Other expenses	**166**	156
Total cost of sales and administrative expenses	**1,186**	1,152

8 Finance income and costs

	Six months ended 30 June 2010 HK$'million	2009 HK$'million
Interest income from:		
Bank deposits	**16**	8
Finance income	**16**	8
Interest expense on:		
Bank borrowings		
- wholly repayable within five years	**(23)**	(51)
- not wholly repayable within five years	**(2)**	(2)
Listed notes payable		
- wholly repayable within five years	**(179)**	(72)
- not wholly repayable within five years	**(56)**	(160)
Loans from the ultimate holding company	**(48)**	(71)
Loans from an intermediate holding company	**(17)**	—
Total borrowing costs incurred	**(325)**	(356)
Less: amount capitalised in assets under construction *(Note)*	**3**	25
Finance costs	**(322)**	(331)
Finance costs - net	**(306)**	(323)

Note: Capitalisation rate of 4.39% per annum (2009: 4.44% 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 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to PRC corporate income tax law of the People's Republic of China ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. For foreign invested enterprises established in the PRC before 1 January 2008 previously taxed at preferential rate of 15%, PRC corporate income tax rate is 20%, 22% and 24% in 2009, 2010 and 2011 respectively whereas 25% standard rate will be applied from year 2012 onwards. Certain of the Group's subsidiaries were exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from previous years or 1 January 2008. 10% withholding income tax is also imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for investments incorporated in certain places, including Hong Kong and Singapore, preferential rate of 5% will be applied.

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 the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	HK$'million	HK$'million
Current taxation		
Hong Kong profits tax	**2**	1
PRC corporate income tax	**65**	43
Withholding income tax on dividend	**119**	79
Deferred taxation	**(2)**	29
	184	152

10 Discontinued operation

On 5 January 2009, the Group disposed of its entire 64% equity interest in Hempel-Hai Hong (China) Limited ("Hempel-Hai Hong"), a subsidiary of the Group, to Hempel A/S, the non-controlling shareholder of Hempel-Hai Hong for a cash consideration of HK$1,146 million. A gain on disposal of HK$492 million was resulted and had been recognised in the condensed consolidated income statement during the six months ended 30 June 2009.

11 Interim dividend

	Six months ended 30 June 2010 HK$'million	2009 HK$'million
Interim dividend of 25 HK cents (2009: 25 HK cents) per share	**610**	607

At a meeting held on 30 August 2010, the Directors proposed an interim dividend of 25 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 equity holders 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 2010.

The amount of interim dividend for 2010 was based on 2,439,883,297 (2009: 2,428,792,562) shares in issue as at 30 August 2010.

12 Earnings per share

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

Basic	**Continuing operations**	**Discontinued operation**	**Total**
For the six months ended 30 June 2010			
Profit attributable to equity holders of the Company (HK$'million)	**1,929**	**–**	**1,929**
Weighted average number of ordinary shares in issue	**2,433,156,101**	**2,433,156,101**	**2,433,156,101**
Basic earnings per share (HK cents)	**79.25**	**–**	**79.25**
For the six months ended 30 June 2009			
Profit attributable to equity holders of the Company (HK$'million)	1,236	492	1,728
Weighted average number of ordinary shares in issue	2,423,447,509	2,423,447,509	2,423,447,509
Basic earnings per share (HK cents)	50.98	20.32	71.30

12 Earnings per share (Continued)

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average interim market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares of that would have been issued assuming the exercise of the share options.

Diluted	Continuing operations	Discontinued operation	Total
For the six months ended 30 June 2010			
Profit attributable to equity holders of the Company (HK$'million)	**1,929**	**–**	**1,929**
Weighted average number of ordinary shares in issue	**2,433,156,101**	**2,433,156,101**	**2,433,156,101**
Adjustment for share options	**5,680,704**	**5,680,704**	**5,680,704**
Weighted average number of ordinary shares for diluted earnings per share	**2,438,836,805**	**2,438,836,805**	**2,438,836,805**
Diluted earnings per share (HK cents)	**79.06**	**–**	**79.06**
For the six months ended 30 June 2009			
Profit attributable to equity holders of the Company (HK$'million)	1,236	492	1,728
Weighted average number of ordinary shares in issue	2,423,447,509	2,423,447,509	2,423,447,509
Adjustment for share options	1,201,072	1,201,072	1,201,072
Weighted average number of ordinary shares for diluted earnings per share	2,424,648,581	2,424,648,581	2,424,648,581
Diluted earnings per share (HK cents)	50.96	20.31	71.27

13 Goodwill, property, plant and equipment, investment properties and land use rights

	Goodwill HK$'million	Property, plant and equipment HK$'million	Investment properties HK$'million	Land use rights HK$'million
Carrying value as at 1 January 2010, as previously reported	**2,513**	**10,844**	**919**	**7,039**
Effect of adoption of HKAS17 (amendment) *(note 3(i))*	**—**	**146**	**—**	**(146)**
Carrying value as at 1 January 2010, as restated	**2,513**	**10,990**	**919**	**6,893**
Exchange adjustments	**—**	**61**	**—**	**41**
Additions	**—**	**199**	**—**	**—**
Increase in fair value	**—**	**—**	**55**	**—**
Disposals	**—**	**(8)**	**—**	**—**
Transfer to non-current assets held for sale *(note 15)*	**—**	**(316)**	**—**	**(71)**
Depreciation and amortisation	**—**	**(313)**	**—**	**(64)**
Carrying value as at 30 June 2010	**2,513**	**10,613**	**974**	**6,799**
Carrying value as at 1 January 2009, as previously reported	2,513	12,921	744	7,426
Effect of adoption of HKAS17 (amendment) *(note 3(i))*	—	149	—	(149)
Carrying value as at 1 January 2009, as restated	2,513	13,070	744	7,277
Exchange adjustments	—	13	—	6
Acquisition of a subsidiary	—	45	—	—
Additions	—	893	—	—
Increase in fair value	—	—	175	—
Disposals	—	(13)	—	(18)
Transfer to non-current assets held for sale *(note 15)*	—	(2,320)	—	(233)
Depreciation and amortisation	—	(698)	—	(139)
Carrying value as at 31 December 2009	2,513	10,990	919	6,893

14 Debtors, deposits and prepayments

	30 June 2010 HK$'million	31 December 2009 HK$'million
Trade debtors *(note (a))*	**708**	556
Other debtors, deposits and prepayments	**237**	205
Dividend receivables from associates, a jointly controlled entity and available-for-sale financial assets	**967**	111
Amounts due from fellow subsidiaries *(note (b))*	**5**	9
Amounts due from associates *(note (b))*	**20**	5
Amounts due from jointly controlled entities *(note (b))*	**7**	—
	1,944	886

Notes:

(a) Bill receivables of HK$32 million (31 December 2009: HK$36 million) are included in trade debtors as at 30 June 2010.

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 2010 HK$'million	31 December 2009 HK$'million
Not yet due	**173**	165
1 - 30 days	**271**	195
31 - 60 days	**148**	99
61 - 120 days	**64**	60
Over 120 days	**52**	37
	708	556

(b) The amounts due from fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and repayable on demand.

15 Non-current assets held for sale

On 18 December 2009, the Group entered into a Joint Venture Agreement (the "JV Agreement") with Qingdao New Qianwan Container Terminal Co., Ltd. ("QQCTN") to establish a joint venture, Qingdao Qianwan United Container Terminal Co., Ltd. ("QQCTU"). Each of the Group and QQCTN owns 50% equity interest in QQCTU. The principal activities of QQCTU are construction, operation and management of container terminals on the southern bank of Qianwan Harbour District of Qingdao Port and the provision of port-related services.

Pursuant to the JV Agreement, the Group and QQCTN shall respectively inject or sell certain of and all of their assets, including berths, storage yards and ancillary facilities and machinery to QQCTU. As at 31 December 2009, the aggregate carrying value of the assets to be injected or sold by the Group to QQCTU is HK$2,553 million (comprising land use rights of HK$233 million and property, plant and equipment of HK$2,320 million) and the amount has been presented as non-current assets held for sale in the consolidated financial statements as at 31 December 2009.

During the six months ended 30 June 2010, the Group incurred an additional berth construction cost of HK$43 million and has classified such assets as non-current assets held for sale. In addition, the Group injected and sold HK$1,596 million of assets previously classified as non-current assets held for sale to QQCTU and recognised a gain on disposal of HK$60 million during the six months ended 30 June 2010.

On 5 June 2010, similar arrangement has been carried out by the Group and Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group") to establish a joint venture, Qingdao Qianwan West Port United Terminal Co., Ltd. ("QQTU"). The Group and Qingdao Port Group owns 49% and 51% equity interest in QQTU respectively. The principal activities of QQTU are construction, operation and management of bulk cargo terminal in Qianwan Harbour District of Qingdao Port and the provision of port-related services.

As at 30 June 2010, the aggregate carrying value of the assets to be injected or sold by the Group to QQTU is HK$344 million (comprising land use rights of HK$71 million and property, plant and equipment of HK$273 million) and the amount has been presented as non-current assets held for sale as at 30 June 2010.

16 Share capital

	Number of shares		Share capital	
	Six months ended 30 June			
	2010	2009	**2010 HK$'million**	2009 HK$'million
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:				
At 1 January	**2,432,749,023**	2,423,435,842	**243**	242
Issue of shares on exercise of share options *(note (a))*	**620,000**	100,000	**–**	–
At 30 June	**2,433,369,023**	2,423,535,842	**243**	242

Notes:

(a) During the period, 620,000 (2009: 100,000) shares were issued on exercise of share options, with proceeds of HK$12 million (2009: HK$1 million).

The weighted average share price at the time of exercise was HK$28.77 (2009: HK$24.20) per share. The related transaction costs have been deducted from the proceeds received.

During the period, no ordinary shares were repurchased.

(b) During the period from 1 July 2010 to the date of approval of this condensed consolidated interim financial information, 6,439,274 ordinary shares of HK$0.1 each were issued to satisfy the payment of the 2009 final dividend of HK$158 million and 75,000 ordinary shares of HK$0.1 each were issued at an average exercise price of HK$23.03 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 equity holders at the meeting on 20 December 2001. During the period, the Company did not grant any new 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			
	2010		2009	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
At 1 January	**21.84**	**30,393,000**	21.83	31,124,000
Exercised	**19.18**	**(620,000)**	11.08	(100,000)
Lapsed	**—**	**—**	23.03	(30,000)
At 30 June	**21.90**	**29,773,000**	21.87	30,994,000

All share options were exercisable as at 30 June 2010.

Share options outstanding at 30 June 2010 have the following expiry dates and exercise prices:

Year of expiry	**Exercise price HK$**	**Number of share options**
2012	4.985	100,000
2014	11.08	2,638,000
2016	23.03	26,885,000
2016	20.91	150,000
		29,773,000

17 Other financial liabilities

	30 June 2010 HK$'million	31 December 2009 HK$'million
Unsecured short-term bank loans	**788**	892
Long-term bank loans, wholly repayable within five years		
– unsecured	**2,339**	2,413
– secured *(note (a))*	**6**	7
Unsecured long-term bank loans, not wholly repayable within five years	**80**	79
	3,213	3,391
Loan from a non-controlling interest of a subsidiary *(note (c))*	**62**	62
Listed notes payable *(note (d))*		
– US$300 million, 6.125% guaranteed listed notes maturing in 2013	**2,322**	2,312
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	**3,878**	3,862
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,535**	1,528
Total	**11,010**	11,155
Less: amounts due within one year included under current liabilities	**(1,847)**	(1,857)
Non-current portion	**9,163**	9,298

Notes:

(a) As at 30 June 2010, bank loans of HK$6 million (31 December 2009: HK$7 million) are secured by property, plant and equipment with net book value of HK$30 million (31 December 2009: HK$47 million).

(b) Bank borrowings drawn and listed notes issued by subsidiaries of the Company of HK$9,035 million (31 December 2009: HK$9,002 million) are secured by corporate guarantees provided by the Company.

(c) Loan from a non-controlling interest of a subsidiary is unsecured, interest free and is repayable on demand.

17 Other financial liabilities (Continued)

Notes: (Continued)

(d) Effective interest rates of the listed notes payable are as follows:

	30 June 2010	31 December 2009
US$300 million, 6.125% guaranteed listed notes maturing in 2013	**6.33%**	6.33%
US$500 million, 5.375% guaranteed listed notes maturing in 2015	**5.47%**	5.47%
US$200 million, 7.125% guaranteed listed notes maturing in 2018	**7.36%**	7.36%

(e) As at 30 June 2010, the Group had undrawn bank loan facilities amounting to HK$8,759 million (31 December 2009: HK$7,310 million), out of which HK$7,709 million (31 December 2009: HK$6,610 million) and HK$1,050 million (31 December 2009: HK$700 million) are committed and uncommitted credit facilities respectively.

(f) The other financial liabilities as at 30 June 2010 are repayable as follows:

	Bank borrowings HK$'milion	Listed notes payable HK$'million	Loan from a non-controlling interest of a subsidiary HK$'million	Total HK$'million
Within 1 year	**1,785**	**—**	**62**	**1,847**
Between 1 and 2 years	**295**	**—**	**—**	**295**
Between 2 and 5 years	**1,053**	**6,200**	**—**	**7,253**
Wholly repayable within 5 years	**3,133**	**6,200**	**62**	**9,395**
Not wholly repayable within 5 years	**80**	**1,535**	**—**	**1,615**
	3,213	**7,735**	**62**	**11,010**

The other financial liabilities as at 31 December 2009 are repayable as follows:

	Bank borrowings HK$'milion	Listed notes payable HK$'million	Loan from a non-controlling interest of a subsidiary HK$'million	Total HK$'million
Within 1 year	1,795	—	62	1,857
Between 1 and 2 years	394	—	—	394
Between 2 and 5 years	1,123	2,312	—	3,435
Wholly repayable within 5 years	3,312	2,312	62	5,686
Not wholly repayable within 5 years	79	5,390	—	5,469
	3,391	7,702	62	11,155

17 Other financial liabilities (Continued)

Notes: (Continued)

(g) The effective interest rates of bank borrowings were as follows:

	30 June 2010	31 December 2009
Hong Kong dollar	**0.55% to 3.06%**	0.94% to 1.67%
Renminbi	**4.31% to 5.41%**	4.37% to 5.51%

(h) The fair values of the long-term bank loans and the listed notes payable were HK$2,421 million (31 December 2009: HK$2,495 million) and HK$8,495 million (31 December 2009: HK$8,131 million) respectively. The fair value of long-term bank loans 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. Other than the long-term bank loans and the listed notes payable, the carrying amounts of the other financial liabilities approximated their fair values as at 30 June 2010.

18 Creditors and accruals

	30 June 2010 HK$'million	31 December 2009 HK$'million
Trade creditors *(note (a))*	**82**	86
Other payables and accruals	**1,034**	1,297
Dividend payable to the Company's equity holders	**779**	—
Amount due to an intermediate holding company *(note (b))*	**4**	4
Amounts due to fellow subsidiaries *(note (b))*	**197**	193
Amounts due to associates *(note (b))*	**13**	9
Amount due to jointly controlled entities *(note (b))*	**4**	4
	2,113	1,593

Notes:

(a) The ageing analysis of trade creditors is as follows:

	30 June 2010 HK$'million	31 December 2009 HK$'million
0 - 30 days	**43**	49
31 - 60 days	**8**	9
61 - 120 days	**8**	8
Over 120 days	**23**	20
	82	86

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

19 Loans from the ultimate holding company

The loans from the ultimate holding company are unsecured, interest bearing at annual rates of 2.45% to 5.2% (31 December 2009: 2.45% to 5.2%) and are denominated in Renminbi.

Loans amounted to HK$1,725 million (31 December 2009: HK$1,652 million) are repayable within one year.

For the remaining loans amounting to HK$913 million (31 December 2009: HK$914 million), they are repayable between 2010 to 2017 and in accordance with the stipulated loan agreements, the ultimate holding company can demand for repayment with one month notice and the Directors have classified these loans under current liabilities accordingly.

20 Loans from an intermediate holding company

The loans from an intermediate holding company are unsecured, interest bearing at annual rate of 4.35% (31 December 2009: 4.35%). The loans are denominated in Renminbi.

The loans are repayable between 2012 to 2019 and in accordance with the stipulated loan agreements, the intermediate holding company can demand for repayment with one month notice and the Directors have classified these loans under current liabilities accordingly.

21 Commitments

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

	30 June 2010 HK$'million	31 December 2009 HK$'million
Company and subsidiaries		
Authorised but not contracted		
– Property, plant and equipment	**137**	723
– Land use rights	**5**	—
	142	723
Contracted but not provided for		
– Property, plant and equipment	**1,021**	731
– Land use rights	**65**	60
	1,086	791
Jointly controlled entities		
Authorised but not contracted		
– Property, plant and equipment	**103**	—
Contracted but not provided for		
– Property, plant and equipment	**931**	254
	2,262	1,768

21 Commitments (Continued)

(b) *Capital commitments for investments*

	30 June 2010 HK$'million	31 December 2009 HK$'million
Contracted but not provided for ports projects		
– Company and subsidiaries	**831**	1,748

(c) *Commitments under operating leases*

At 30 June 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land use rights and property, plant and equipment as follows:

	30 June 2010 HK$'million	31 December 2009 HK$'million
Within one year	**88**	88
In the second to fifth year inclusive	**65**	99
After the fifth year	**34**	38
	187	225

(d) *Future operating lease receivables*

At 30 June 2010, the Group had future aggregate lease receivables under non-cancellable operating leases for leasehold land and buildings as follows:

	30 June 2010 HK$'million	31 December 2009 HK$'million
Within one year	**57**	68
In the second to fifth year inclusive	**69**	71
After the fifth year	**—**	2
	126	141

22 Related party balances and transactions

The Directors regard China Merchants Group Limited ("CMG"), a company incorporated in the PRC as being the Company's ultimate holding company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or Directors or officers of the Company and its subsidiaries.

In addition to the related party information and transactions disclosed elsewhere in this condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties.

(a) Balances and transactions with the CMG Group

	Note	**Six months ended 30 June** **2010** **HK$'million**	2009 HK$'million
Transactions with the CMG Group			
Rental income from	(i)		
– an intermediate holding company		**11**	11
– a fellow subsidiary		**5**	5
Rental expenses paid to fellow subsidiaries	(i)	**42**	61
Service income from			
– an associate	(ii)	**2**	—
– a fellow subsidiary	(ii)	**1**	—
– a jointly controlled entity	(ii)	**1**	—
Service fee paid to			
– a fellow subsidiary	(iii)	**3**	2
– a jointly controlled entity	(iv)	**3**	2
Interest expenses paid to			
– the ultimate holding company	(v)	**48**	64
– an intermediate holding company	(v)	**17**	—

22 Related party balances and transactions (Continued)

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

Notes:

(i) The Group rented certain vessels and properties from and leased office premises to the CMG Group. Rental income or expense were charged at a fixed amount per month in accordance with respective tenancy agreements.

(ii) The service fees were charged with reference to market rates.

(iii) The fellow subsidiary 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 with reference to market rates.

(iv) The jointly controlled entity provided information technology systems and services to the Group. The service fees were charged by reference to market rates.

(v) Interest expenses were charged at interest rate as specified in notes 19 and 20 to the condensed consolidated interim financial information on the outstanding amounts due to the ultimate holding company and an intermediate holding company.

The balances with entities within the CMG Group as at 30 June 2010 are disclosed in notes 14, 18, 19 and 20 to this condensed consolidated interim financial information.

(b) Balances and transaction with non-controlling interests of subsidiaries

Service expense of HK$9 million (2009:HK$7 million) was charged by the non-controlling interests of subsidiaries based on the number and the type of vehicles to be used for container transportation and the operators required for such transportation in accordance with respective agreement.

The balance with a non-controlling interest of a subsidiary is disclosed in note 17 to this condensed consolidated interim financial information.

(d) Key management compensation

	Six months ended 30 June	
	2010	2009
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**2**	4

23 Subsequent events

(a) Pursuant to an entrusted agreement entered between China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), an intermediate holding company of the Company, and the Company on 18 June 2010, the Company was granted the management rights and the power to direct the voting right over 23.493% of China Nanshan Development (Group) Incorporation ("China Nanshan") for a consideration of RMB1. China Nanshan is principally engaged in ports operation, manufacturing, property development and investment.

As at 30 June 2010, China Nanshan remained as an associate of the Group and upon the execution of the above mentioned agreement, the Group will control more than half of the voting rights of the board of directors of China Nanshan and China Nanshan will become a subsidiary of the Group. The transaction was completed on 12 August 2010.

Up to the date of approval of this condensed consolidated interim financial information, there is insufficient financial information available for the Group to calculate the resulting gain or loss on this consolidation and to identify and determine the fair values to be assigned to China Nanshan's identifiable assets acquired and liabilities assumed for the purpose of allocation of purchase consideration and estimation of goodwill.

(b) On 5 July 2010, the Group contributed an additional HK$22 million capital to Shenzhen Cyber-Harbour Network Co., Ltd. ("Shenzhen Cyber"), a jointly controlled entity of the Group. Upon the completion, the equity interest held by the Group in Shenzhen Cyber will increase from 62.5% to 76.84% and certain clauses of its articles will also be amended. As a result, the Group will be able to control the decisions of Shenzhen Cyber's board of directors and Shenzhen Cyber will then become a subsidiary of the Group. Shenzhen Cyber specialises in e-business for the maritime logistics industry and is principally engaged in the development of electronic customs system.

(c) Pursuant to a sale and purchase agreement dated 21 July 2010, a 51% owned subsidiary of the Group agreed to acquire the entire equity interest in Kang Xin Logistics (Tianjin) Co., Ltd. ("KXL Tianjin") from certain independent third parties for a consideration of US$51 million (HK$397 million). KXL Tianjin is principally engaged in provision of cold storage and logistic services.

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