WE CONNECT THE WORLD

招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) CO., LTD.

Stock Code 股份代號 : 00144

INTERIM REPORT 中期報告 **2013**

2013
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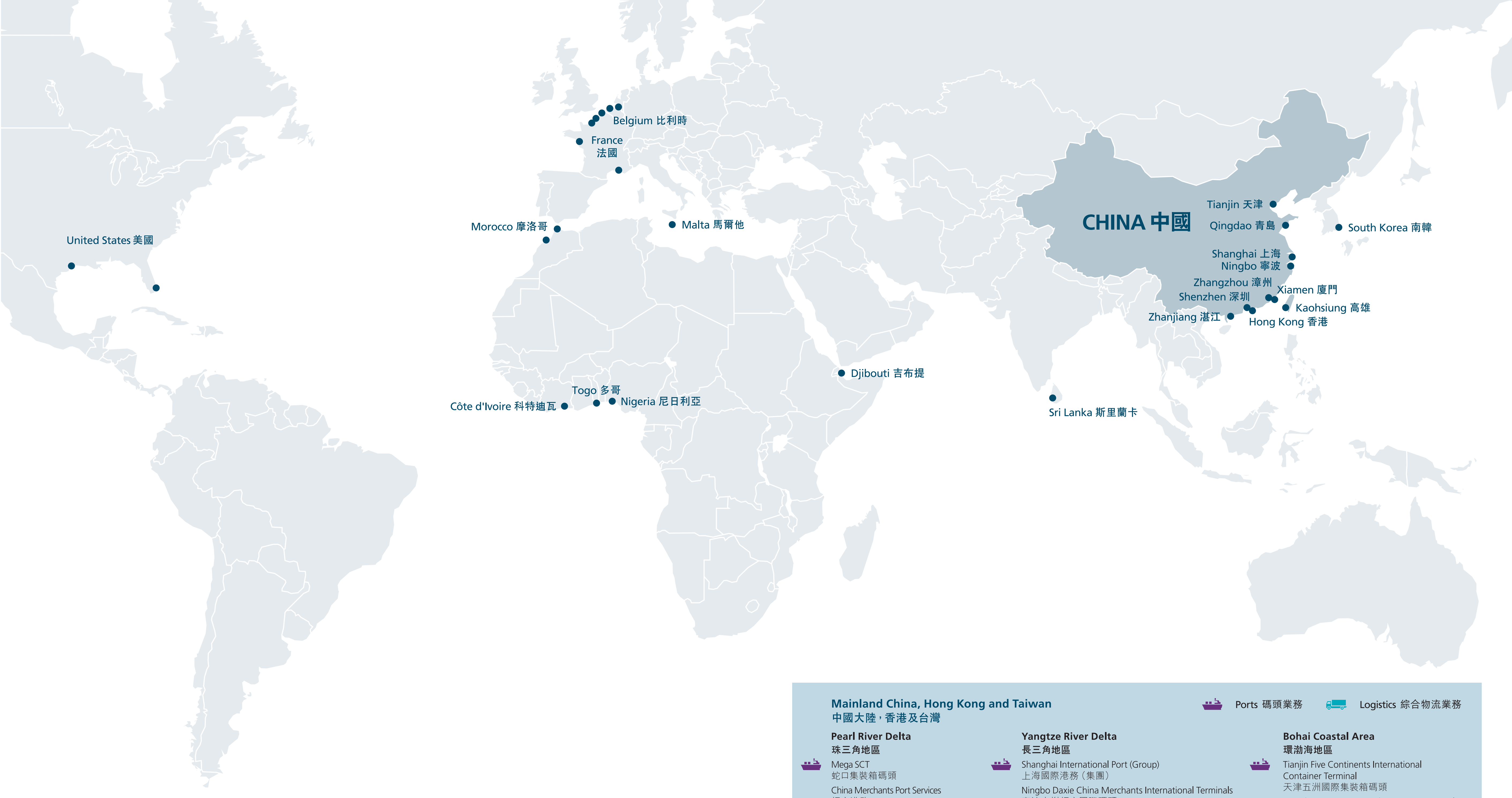
Presence of China Merchants Holdings (International) Company Limited
招商局國際有限公司之業務分佈



Indian Subcontinent and Africa
印度次大陸及非洲

Colombo, Sri Lanka
斯里蘭卡，科倫坡
Colombo South Container Terminal

Lagos, Nigeria
尼日利亞，拉各斯
Tin-Can Island Container Terminal

Lomé, Togo
多哥，洛美
Lomé Container Terminal

City of Djibouti, Djibouti
吉布提，吉布提市
Port de Djibouti

Abidjan, Côte d'Ivoire
科特迪瓦，阿比讓
Terra Abidjan

Europe and Mediterranean
歐洲及地中海

Casablanca, Morocco
摩洛哥，卡薩布蘭卡
Somaport

Tangiers, Morocco
摩洛哥，丹吉爾
Eurogate Tanger

Marsaxlokk, Malta
馬爾他，馬沙斯洛克
Malta Freeport Terminal

Fos, France
法國，福斯
Eurofos

Le Havre, France
法國，勒阿弗爾
Terminal de France
Terminal Nord

Dunkirk, France
法國，敦克爾克
Terminal des Flandres

Montoir, France
法國，蒙圖瓦爾
Terminal du Grand Ouest

Antwerp, Belgium
比利時，安特衛普
Antwerp Gateway

Zeebrugge, Belgium
比利時，澤布呂赫
Container Handling Zeebrugge

Others
其他

Busan, South Korea
南韓，釜山
Busan New Container Terminal

Miami, United States
美國，邁阿密
South Florida Container Terminal

Houston, United States
美國，侯斯頓
Terminal Link Texas

Mainland China, Hong Kong and Taiwan
中國大陸，香港及台灣

Ports 碼頭業務　Logistics 綜合物流業務

Pearl River Delta
珠三角地區

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

China Merchants Bonded Logistics
招商局保稅物流
China Merchants International Cold Chain
招商局國際冷鏈
KXL Guangzhou
康新 廣州
KXL Hong Kong
康新 香港

Yangtze River Delta
長三角地區

Shanghai International Port (Group)
上海國際港務（集團）
Ningbo Daxie China Merchants International Terminals
寧波大榭招商國際碼頭
Ningbo Port
寧波港

KXL Suzhou
康新 蘇州
KXL Shanghai
康新 上海

South-West Area
西南地區

Zhanjiang Port
湛江港
KXL Chengdu
康新 成都

Xiamen Bay Economic Zone
廈門灣經濟區

Zhangzhou China Merchants Port
漳州招商局碼頭
Xiamen Haicang Xinhaida Container Terminal
廈門海滄新海達集裝箱碼頭

Bohai Coastal Area
環渤海地區

Tianjin Five Continents International Container Terminal
天津五洲國際集裝箱碼頭
Qingdao Qianwan United Container Terminal
青島前灣聯合集裝箱碼頭
Qingdao Qianwan West Port United Terminal
青島前灣西港聯合碼頭

China Merchants International Terminal (Qingdao)
招商局國際碼頭（青島）
Tianjin Haitian Bonded Logistics
天津海天保税物流
KXL Qingdao
康新 青島
KXL Tianjin
康新 天津
KXL Beijing
康新 北京
KXL Harbin
康新 哈爾濱

Kaohsiung, Taiwan
台灣，高雄

Kao Ming Container Terminal
高明貨櫃碼頭

Corporate Information

Board of Directors

Dr. Fu Yuning *(Chairman)*
Mr. Li Jianhong *(Vice 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. Zheng Shaoping
Mr. Kut Ying Hay*
Mr. Lee Yip Wah Peter*
Mr. Li Kwok Heem John*
Mr. Li Ka Fai David*
Mr. Bong Shu Ying Francis*

* *independent non-executive director*

Registered Office

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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

Deloitte Touche Tohmatsu

Legal Adviser

Linklaters
Mayer Brown JSM
Vincent T. K. Cheung, Yap & Co.

Stock Code

00144

Registrars

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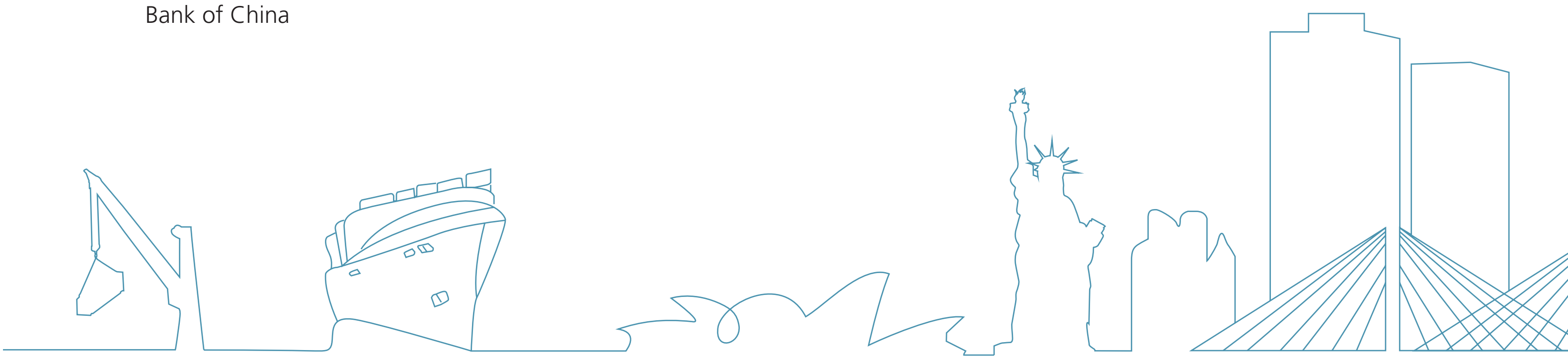


Financial Highlights

	For the six months ended 30 June 2013 HK$'million	2012 HK$'million (as restated)	Changes
Consolidated statement of profit or loss highlights			
Revenue[1]	**20,131**	21,048	(4.4%)
Profit attributable to equity holders of the Company	**1,935**	1,756	10.2%
Non-recurrent gains, net of tax[2]	**(115)**	(147)	(21.8%)
Recurrent profit	**1,820**	1,609	13.1%
Earnings per share (HK cents)			
Basic	**77.67**	70.97	9.4%
Diluted	**77.56**	70.87	9.4%
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	0.0%
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**1,741**	2,553	(31.8%)

	30 June 2013 HK$'million	31 December 2012 HK$'million	Changes
Consolidated statement of financial position highlights			
Total assets	**86,436**	77,466	11.6%
Capital and reserves attributable to equity holders of the Company	**45,348**	45,542	(0.4%)
Net interest bearing debts[3]	**22,538**	14,630	54.1%

	For the six months ended 30 June 2013 HK$'million	2012 HK$'million (as restated)	Changes
Revenue[1]			
Ports operation	**9,571**	9,095	5.2%
Bonded logistics and cold chain operations	**417**	1,095	(61.9%)
Port-related manufacturing operations	**9,028**	9,563	(5.6%)
Other operations	**1,115**	1,295	(13.9%)
Total	**20,131**	21,048	(4.4%)
EBITDA[4]			
Ports operation	**4,776**	4,418	8.1%
Bonded logistics and cold chain operations	**230**	858	(73.2%)
Port-related manufacturing operations	**607**	843	(28.0%)
Other operations	**385**	160	140.6%
EBITDA	**5,998**	6,279	(4.5%)
Expenses for corporate function	**(71)**	(82)	(13.4%)
Net interest expenses[5]	**(818)**	(885)	(7.6%)
Taxation[5]	**(888)**	(1,047)	(15.2%)
Depreciation and amortisation[5]	**(1,616)**	(1,630)	(0.9%)
Non-controlling interests[5]	**(670)**	(879)	(23.8%)
Profit attributable to equity holders of the Company	**1,935**	1,756	10.2%

1. Include revenue of the Company, its subsidiaries and share of revenue of its associates and joint ventures.
2. Include increase in fair value of investment properties, net of tax, of HK$62 million (2012: HK$111 million) and increase in fair value of financial asset at fair value through profit or loss, net of tax, of HK$53 million (2012: HK$36 million).
3. Interest bearing debts less cash and bank balances.
4. Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.
5. Include the respective items of the Company and its subsidiaries, and its share of the respective sums of associates and joint ventures.

Management Discussion and Analysis

Business Review

The first half of 2013 has, amid a stabilised though mildly growing global economy while developed economies have yet to show solid signs of rebound, reflected a lack of sufficient growth momentum in global trade. A slow recovery in the US economy together with the absence of apparent signs of the EU economic recession coming to an end suggested that a fully recovered global economy would be some time away. Though Japan's economy seemed to have gained some short-term benefits from a significant depreciation of its currency, its economic structure has yet to undergo structural consolidation before the country would be positioned to derive long-term sustainable growth. Emerging economies, affected by the increasing surfacing of the deep-rooted impact due to the global financial crisis, have all shown slowdown in their economic growth. The International Monetary Fund ("IMF") revealed that while risks that deter global economic growth have continued to persist, new risks – including the emerging market economies experiencing a possibly prolonged slowdown in growth thus inducing a decelerating credit growth – have emerged. In addition, along with the quantitative easing policies implemented by the developed economies, the expansion of adverse effects derived from trade protectionism measures so adopted led to the severe challenges facing the emerging economies to continue. In its latest "Global Economic Prospects" report published on 12 June 2013, the World Bank slightly lowered its expectation for 2013's global economic growth, recognising that the global economy would sustainably grow albeit at a much more modest pace. The World Bank forecasted the global economy to grow at 2.2% in 2013, lower from the 2.4% forecast made in January 2013 and the 2.3% forecast made in 2012. In its report published in July, the IMF also further lowered its growth forecast for the global economy for 2013 to 3.1%, same as that for 2012

but 0.2 percentage point lower from the forecast made in its April report. In addition, the IMF also projected developed economies to grow by 1.2% in 2013, same as that for 2012, and developing economies to grow by 5.0%, slightly up by 0.1 percentage point. Total global trade volume (goods and services) was projected to grow by 3.1%, representing a year-on-year increase of 0.6 percentage point but down 0.5 percentage point from its forecast made earlier this year.

During the period under review, along with a moderation of China's GDP growth rate to 7.6% was the slow recovery of its foreign trade growth. The total value of China's total import and export value amounted to US$1,997.7 billion during the period from January to June this year, reflecting a year-on-year increase of 8.6%, and 0.6 percentage point above the growth rate for the same period in the previous year. Among the total value of foreign trade, total export value was US$1,052.8 billion, indicating a 10.4% year-on-year increase, and a 1.2 percentage points increase in growth rate; while total import value was US$944.9 billion, showing a 6.7% year-on-year increase, which is in line with the growth rate for the same period in the previous year.

Due to the slow recovery of the global economy and the lower-than-expected demand growth, growth rate in global port business generally declined. Data published by the Ministry of Transport revealed that container throughput handled by Chinese ports of significant scale totaled 91.47 million TEUs in the first half of 2013, representing a year-on-year increase of 8.3% but 0.5 percentage point down as compared to the growth rate for the same period last year.

In the first half of 2013, the Group's ports handled a total container throughput of 32.66 million TEUs, a year-on-year increase of 11.8%, or a year-on-year growth of 5.7% if the volume contributed by the newly acquired projects were excluded. Bulk cargo volume handled by the Group's ports totaled 177 million tonnes, registering a 8.8% year-on-year growth. China International Marine Containers (Group) Co., Ltd. ("CIMC"), of which the Group is its single largest shareholder, saw an overall improvement in the sales performance of its container manufacturing business amid a stronger demand in dry cargo containers, recording sales of 0.64 million TEUs of dry cargo containers during the first half of the year, up 15.0% year-on-year. Sales of reefer and special-purpose units amounted to 80,000 TEUs during the first half of the year, down 30.0% year-on-year.

In September 2012, the Company and China Nanshan Development (Group) Incorporation ("China Nanshan") entered into an entrustment agreement pursuant to which China Nanshan granted to the Company the right to manage, and the power to direct the voting rights over its entire interest in, Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan"). This entrustment agreement became effective in November 2012. In December 2012, the Company and China Merchants Holdings (Hong Kong) Company Limited ("CMHK") agreed to terminate the entrustment agreement signed in 2010 in respect of the management and voting rights in 23.49% stake in China Nanshan CMHK assigned to the Company in 2010.

Upon completion of the above transactions, the Group ceased to, with effect from 28 December 2012, control and consolidate the assets and liabilities and other financial results of China Nanshan and its subsidiaries (together the "Nanshan Group") excluding Shenzhen Chiwan and its subsidiaries (together the "Shenzhen Chiwan Group") (Nanshan Group excluding Shenzhen Chiwan Group are hereinafter referred to as the "Nanshan Outgoing Group"), which is thereafter equity-accounted for as an associate, while maintaining Shenzhen Chiwan as its subsidiary. Deconsolidating Nanshan Outgoing Group would not affect the profit attributable to the Company's equity holders but led, as a consequence, to a significant year-on-year reduction in various statement of profit or loss items of the Group for the six months ended 30 June 2013, including, but not limited to, revenue, cost of sales, and profit attributable to non-controlling interests, especially where it relates to the performance of segment under the heading of bonded logistics and cold chain operations.

For the six months ended 30 June 2013, profit attributable to the Company's equity holders amounted to HK$1,935 million, representing a year-on-year increase of 10.2%. Of this amount, recurrent profit was HK$1,820 million, up 13.1% as compared to the same period in the previous year. EBITDA[Note 1] derived from the Group's core ports operation amounted to HK$4,776 million, representing an increase of 8.1% as compared to the same period in the previous year, and accounting for 79.6% of the Group's total EBITDA.

Ports operation

In the first half of 2013, EBIT[Note 2] derived from the Group's ports operation amounted to HK$3,523 million, representing a year-on-year increase of 10.4% and accounting for 80.4% of the total EBIT of the Group, up from 68.7% last year.

During the first half of the year, the Group's ports in Mainland China handled a total container throughput of 27.92 million TEUs, up 6.0% year-on-year, or approximately 4 percentage points above the overall growth rate of foreign-trade-derived container throughput of all ports in Mainland China, thus sustaining the Group's leading position among China port operators. Taking account of the throughput

Note 1: Earnings before net interest expenses, taxation, depreciation and amortisation, unallocated income less expenses and non-controlling interests ("Defined Earnings") for the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures

Note 2: Earnings before net interest expenses, taxation, unallocated income less expenses and non-controlling interests ("Adjusted Earnings") for the Company, its subsidiaries and its share of Adjusted Earnings of associates and joint ventures handled by Kao Ming Container Terminal Corporation of Taiwan ("Kao Ming Terminal"), in which the Group together with another two Mainland China enterprises acquired a 30% stake in December 2012, the Group handled a combined container throughput of 3.30 million TEUs in Hong Kong and Taiwan in the first half of 2013, representing a year-on-year increase of 23.0%. As regards overseas, the Group recorded a total container throughput of 1.44 million TEUs for the first half of the year, taking account of throughput handled by the ports into which the Group during the period under review acquired equity stakes, viz Port de Djibouti S.A. ("PDSA") in East Africa and Terminal Link SAS ("Terminal Link").

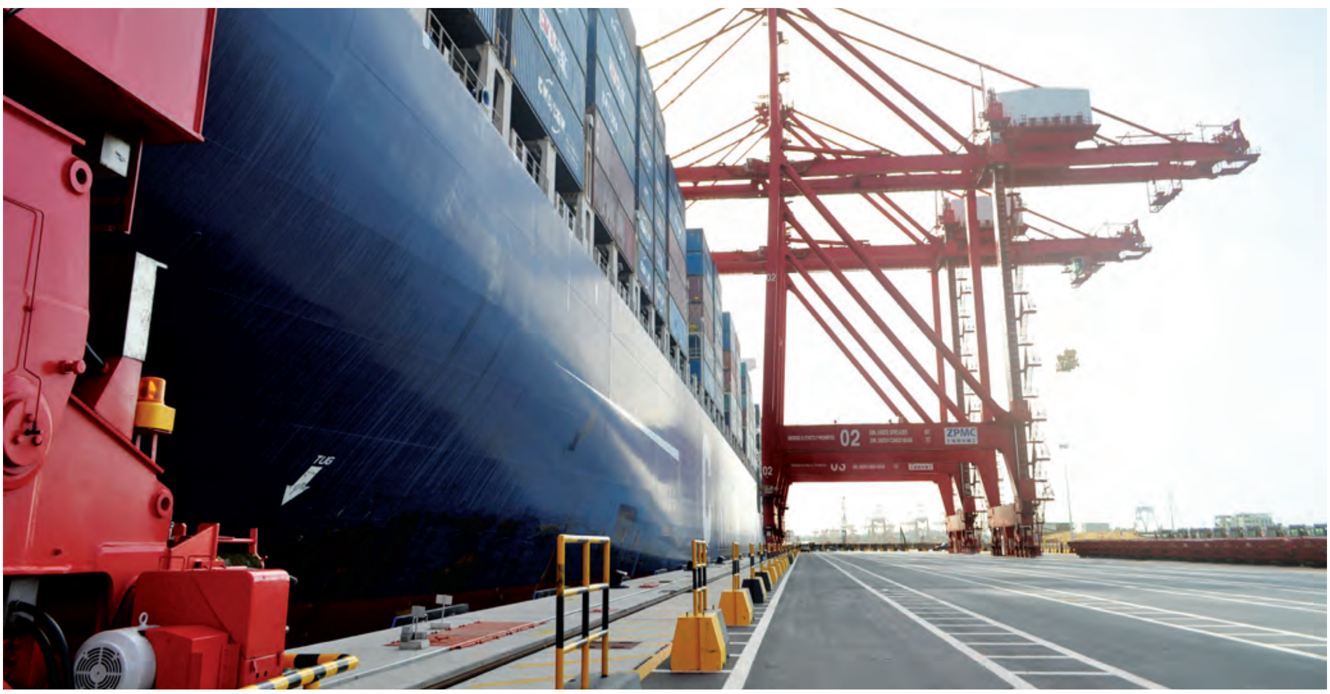
The performance of container ports operation varied across regions. In the Pearl River Delta region, the Group's terminals at Western Shenzhen handled 5.62 million TEUs in the first half of this year, down marginally by 1.2% year-on-year. Chu Kong River Trade Terminal Co., Ltd. handled 0.59 million TEUs, an increase of 8.3% year-on-year. In the south-eastern coastal China, Zhangzhou China Merchants Port Co., Ltd. ("ZCMP") handled container throughput of 0.28 million TEUs in the first half of the year, representing a significant increase by 32.0% year-on-year owing to the increased domestic demand. In the Yangtze River Delta region, Shanghai International Port (Group) Co., Ltd ("SIPG") recorded a throughput volume of 16.33 million TEUs, representing a steady increase of 2.9% year-on-year, whereas Ningbo Daxie China Merchants International Terminals Co., Ltd. handled 1.04 million TEUs, showing a year-on-year increase of 10.0%. In the Bohai Rim region, through the continuous deepening of working relationship with Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group"), Qingdao Qianwan United Container Terminal Co., Ltd. saw its container volume jump by 44.2% to 2.75 million TEUs, while Tianjin Five Continents International Container Terminals Co., Ltd. handled 1.16 million TEUs with a year-on-year growth of 10.8%. In respect of our ports operation in Hong Kong and Taiwan, Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong handled a combined container throughput volume of 2.76 million TEUs, up 3.0% year-on-year, while Kao Ming Terminal contributed throughput of 0.54 million TEUs, during the first half of the year. PDSA and Terminal Link, overseas projects newly acquired by the Group during the period, contributed throughput of 0.33 million and 0.90 million TEUs respectively, which, coupled with the throughput of 0.21 million TEUs, or 10.1% growth year-on-year, by Tin-can Island Container Terminal Limited in Nigeria, West Africa, gave a total throughput handled by our overseas operations of 1.44 million TEUs in the first half of the year.

As regards the Group's bulk cargo handling business, our bulk cargo ports showed encouraging results, having handled 177 million tonnes of bulk cargoes during the first half of 2013, up 8.8% year-on-year: contributed as to 17.94 million tonnes (up 12.2% year-on-year) by the Group's ports in Western Shenzhen, 2.36 million tonnes (up 18.1% year-on-year) by Dongguan Machong Terminal, 4.63 million tonnes (up 11.6% year-on-year) by ZCMP, 103 million tonnes (up 11.6% year-on-year) by SIPG, 13.23 million tonnes (down 7.5% year-on-year) by Qingdao Qianwan West Port United Terminal Co., Ltd. and 33.46 million tonnes (down 0.1% year-on-year) by Zhanjiang Port (Group) Co., Ltd. The newly acquired PDSA also contributed an additional bulk cargo volume of 1.85 million tonnes.

During the first half year which was prevailed with adverse external operating environment, guided by the directives of "optimizing scale, refining operation, prioritising on efficiency, and re-balancing between resources utilization and strategies", the Group has, on the one hand, continued to refine and upgrade its management system and process, to encourage technological innovation, to enhance management capabilities and to implement cost savings and efficiency gain measures, with an aim of maximizing shareholders' return. On the other, the Group has continued to expand its global footprint by pursuing acquisition of port assets strategically located at hub locations so as to capture opportunities arising from the evolution of international trade flow, and thus creating synergies built on the Group's global port network through optimization of resources, while striving to extend its value chain and promote business model innovation relating to its ports operation, in order to explore new drivers for sustainable growth.

Treading on the momentum built in recent years in expanding on the international arena, the Group continued to deliver remarkable achievements in overseas acquisition during the first half of 2013. The Group has completed, in June, the acquisition of a 49% equity interest in Terminal Link, a wholly-owned subsidiary of CMA CGM SA engaged in the investment in and the development and management of 15 container- and bulk cargo- terminals conveniently situated along major international sea-lanes across 8 countries in 4 continents, thus further anchoring the Group's presence in pursuit of its international strategies for the longer-term development of its port business whilst complementing the Group's existing ports operation and bringing in new growth drivers. Furthermore, the strategic cooperation between the Group and CMA CGM SA is expected to deepen the already existing working relationship between the two parties, which is conducive to consolidating the competitive strength of both parties in the international maritime industry. The commencement of operation, in July, of Colombo International Container Terminals Limited, in which the Group has an 85% equity stake and for which the Group has been constructing/developing since 2011, marked the officiation in Colombo, Sri Lanka of a deep-sea terminal capable of handling the world's largest container vessels. Colombo, an ideal cross-state transshipment hub located in the Indian Ocean that is positioned to not only service the South Asia region but also function as the east-west sea link between Asia and Europe, is expected to play a key role in the Group's endeavours to expand its international ports network.

Simultaneously as it endeavoured to actively expand its overseas operations, the Group has continued to deploy resources in Mainland China with a view to further ensuring its leading position in the region. With the support from the local ports authority, the effort put in by the Group has made possible, since the first half of this year, the rendering of 24-hour cross terminals transference operation across the entire West Shenzhen Port Zone thus facilitating the integration of operations and sharing of resources in the region and thereby



enhancing the competitiveness of the West Shenzhen Port Zone. The completion of the Group's acquisition of a 25% stake in Shenzhen Chiwan in April 2013, which has since enabled the Group to fully control and consolidate the management and operation of West Shenzhen Port Zone, has further gravitated the Group's core position in the region.

To capture cargo-flow opportunities derived from the gradual relocation of the coastal-based manufacturing industries to the inland regions necessitates the Group's homebase operation in West Shenzhen to extend its sourcing reach-out to the pan-Pearl River Delta hinterland catchment. In endeavouring to extend its cargo-sourcing reach-out, the Group has participated in the "National Container Sea-rail Inter-modal Transportation Network Application Demonstration Project", a data-collaboration project directed by the Ministry of Transport and run in six selected nationwide sea-rail inter-modal transportation paths, including those in South China. This project, backed by modern communication technologies that enables inter-modal transport data connection, aims to explore and develop a refined model of data collaboration in a multi-modal network with unified information protocol which enables seamless sharing of logistics data along the logistics path across different modes of transportation. The project should thus enhance business synergy and service quality, which is expected to offer the Group a leap forward in its efforts towards implementing its seamless inter-modal connectivity strategy stemmed from West Shenzhen Port Zone.

In the first half of the year, the Group continued to leverage on the established advantages of its Shenzhen homebase ports built on resources, service level and geographical location in encouraging the strategic collaborations between the homebase ports and the river terminals in the Pearl River Delta. In 2012, West Shenzhen Port Zone has, stemmed from the already-operating South China barge shuttle service, successfully launched the pilot service for feeder-routes that now covers a number of river terminals including those at Zhongshan, Huangpu and Foshan. The five feeder-routes currently put into operation have shown promising signs in promoting the hub-and-spoke connectivity and achieving economies of scale.

As regards the Group's operation outside of the West Shenzhen Port Zone, aimed towards better alignment of port assets, the Group has been proactively strengthening and interacting with major port groups along coastal China with a view to identifying new investment and cooperation opportunities. An example of this is the agreement to establish, jointly with a number of parties including Qingdao Port Group, Qingdao Dongjiakou Ores Terminal Company Limited, a joint venture engaged in the operation of the already-built dedicated iron ore handling terminals in the Dongjiakou port area in May. Not only is this terminal well-positioned to provide quality logistics services to the Shandong Province and the nearby areas, it also complements the Group's port business while further forging the Group's strategic relationship with Qingdao Port Group and other joint venture partners.

As for the managing of ports operation, based on the already-established standardisation system for container-handling operation, the Group has continued, during the first half of the year, to work with a well-known international consultancy firm to initiate the development of the second phase of this operational refinement platform. This platform, which relates to a unified corporate data bank constructed by engaging advanced information technology to capture all operational data on standardised basis, aims to establish an efficient management reporting and assessment mechanism that leverages on measurable management assessment tools. Meanwhile, in response to the ever-changing operating environment and continuous development in the logistics industry, the Group has actively promoted innovative management by means of the formation of an innovation and development committee as well as the establishment of an incentive mechanism for innovation, so as to encourage innovation from the aspects of technology and technical process, management and business model, in order to ensure competitiveness of ports.

Bonded logistics and cold chain operations

During the period under review, the Group's bonded logistics and cold chain operations recorded an EBIT of HK$147 million, down 80.3% when compared to that of the same period last year, due primarily to the negative effect derived from deconsolidating Nanshan Outgoing Group since 28 December 2012 as mentioned earlier on in this discussion.

During the first half of 2013, the Group's bonded logistics operation continued to show rapid growth. Capitalizing on the development opportunities in association with the Qianhai Cooperation Zone and fully leveraging on the preferential policies offered at the Qianhai Bonded Port Zone, China Merchants Bonded Logistics Co., Ltd. ("CMBL"), a subsidiary of the Group, has been actively promoting the innovation of bonded logistics operation models in order to capture the business opportunities offered by the cross-border trading activities and cooperation between Shenzhen and Hong Kong through the extension of the port's value chain. During the first half of the year, CMBL recorded double-digit growth in major performance indicators such as total volume of cargoes handled, units of custom declaration, revenue, and profit, hence further enhancing its operational performance. Having optimised its cooperation with customers along with expanded service capability under the philosophy of "innovation of operation models and enhancement of efficiency", China Merchants International Terminal (Qingdao) Co., Ltd., which operates bonded logistics business in the Qingdao Logistics Park, has secured new business modes with new revenue drivers, resulting in significant improvement in its operational results during the period. Leveraging on the incentive policies available at the Dongjiang Bonded Port Zone, Tianjin Haitian Bonded Logistics Company Limited, an associate of the Group, continued its penetration efforts towards the import of automobile (in whole) with a view to building up its unique competitive edge. In the absence of an apparent improvement in the growth of the macro economy, the Group's bonded logistics business has nevertheless demonstrated a rapid and consistent growth momentum. This positive performance reflected not only the synergy of collaboration between bonded logistics parks and their corresponding port zones, but also the value through adhering to the Group's strategy in extending the port's value chain and developing bonded logistics.

China Merchants Americold Holdings Company Limited and China Merchants Americold Logistics Company Limited (collectively known as "CMAC"), the Group's cold chain logistics operation platform, was listed among "China's Top 50 Food Logistics Enterprises" nominated by China Food Industry Association during the first half of 2013. It also won the "Award of Sincere Cooperation" in pursuing cooperation with a major customer in the same period. CMAC has been widely recognized by customers and industry participants through its rapid development during recent years, and is rapidly establishing its reputation and brand appreciation in the Chinese market. Through the 12 cold storage warehouses located at key cities in Mainland China and Hong Kong owned and/or managed by CMAC, its storage business has significantly improved with a warehouse utilization rate of 76%, up 10 percentage points from that for the same period last year. Corresponding revenue from warehouse storage has reported continually high growth, among which the operating performance of South China Cold Storage Facilities in West Shenzhen and Harbin Storage Facilities were exceptional. As for its business development endeavours targeting to become a leading public cold chain service provider in China, CMAC has been actively seeking to enhance its operation capabilities and improve its competitiveness alongside efforts to develop/increase its market share, such as exploring the feasibility of establishing a procurement and distribution platform for import and export food produce and focusing on market penetration along the up- and down- stream value chain of the cold chain logistics industry.

During the first half of 2013, the total volume of cargoes handled at the two major air cargo terminals in Hong Kong was 1.69 million tonnes, representing an increase of 1.5% year-on-year, whereas Asia Airfreight Terminal Company Limited, in which the Group is interested, handled a total of 0.37 million tonnes of cargoes, up 7.4% year-on-year.

Port-related manufacturing operations

During the first half of 2013, EBIT generated by the Group's port-related manufacturing operations amounted to HK$429 million, down 25.3% year-on-year.

Higher demand for dry cargo containers which led to more orders from customers during the traditional slack season has resulted in a rebound in CIMC's container sales during the period under review. During the first half of 2013, CIMC sold a total of 0.64 million TEUs of dry cargo units, up 15.0% year-on-year, and 80,000 TEUs of reefer and special-purpose units, down 30.0% year-on-year.

During the first half of 2013, despite an increase in the container sales volume, pricing of dry cargo units, reefer containers and special-purpose units all showed a significant drop on a year-on-year basis, resulting in CIMC recording a net profit of RMB552 million, a decrease by 40.9% over that for the same period last year.

Corporate social responsibility

While striving to continuously improve its operating results and generate returns for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and sustainable direction.

In the first half of 2013, the Group has, by adopting innovative technology, been working actively towards "green port" establishment along the direction of "energy saving, emission reduction and low-carbon green" as a means through which to fulfill its corporate social responsibility. Shekou Container Terminals Limited and Chiwan Container Terminal Co., Ltd., subsidiaries of the Group, have joint hands to establish a green and low-carbon demonstration port zone which promotes the use of shore-power supply for vessels, of LNG trailers and LED lamps, and intelligence-designed operation process. The demonstration zone, a modern container port zone that is green, efficient, ecological and sustainable powered by clean and green energy, has been listed as the only demonstration project from South China with a green and low-carbon port theme that enjoys state subsidy.

The Group is committed to integrate its corporate core values into the community by taking active part in various community and charitable events with focuses on, amongst others, helping education, poverty alleviation, making charitable donations and offering community services, and fulfilling its social responsibility as a corporate citizen in facilitating a harmonious environment and sustainable development of our society.

Liquidity and treasury policies

As at 30 June 2013, the Group had approximately HK$4,059 million in cash, 9.8% of which was denominated in Hong Kong dollars, 35.6% in United States dollars, 47.2% in Renminbi and 7.4% in other currencies.

The Group mainly derived its funding sources from both its operating activities related to ports operation, bonded logistics and cold chain operations, port-related manufacturing operations, property investment, and investment returns from associates and joint ventures, which together contributed HK$1,741 million in total.

During the period, the Group's capital expenditure amounted to HK$1,767 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 2013, the Company had 2,491,973,388 shares in issue. During the period, the Company issued 550,000 new shares upon the exercise of share options and received net proceeds of approximately HK$13 million as a result. On 30 July 2013, the Company issued 30,703,763 shares under the Company's scrip dividend scheme.

As at 30 June 2013, the Group's net gearing ratio was approximately 42.5%.

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.

During the period, loans for the amounts of USD500 million and EURO390 million were drawn respectively by the Company and a wholly-owned subsidiary from the immediate holding company of the Company, which are repayable within 5 years, to finance the Group's investments and its working capital. Another non-wholly-owned subsidiary of the Company issued a fixed-rate unlisted note maturing in 2014 for the amount of RMB500 million to finance its working capital.

As at 30 June 2013, the Group had aggregate bank borrowings and listed notes payable of HK$1,155 million maturing in 1 to 10 years, the lenders of which require China Merchants Group Limited to remain as the controlling shareholder of the Company. The Group also had aggregate bank borrowings and listed notes payable of HK$10,006 million as at 30 June 2013 that contain customary cross default provisions.

As at 30 June 2013, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2013 HK$'million	31 December 2012 HK$'million
Floating-rate bank borrowings which are repayable (Note):		
Within 1 year	**3,041**	3,712
Between 1 and 2 years	**184**	135
Between 2 and 5 years	**3,018**	702
More than 5 years	**153**	335
	6,396	4,884
Fixed-rate listed notes payable are repayable:		
In 2013	**—**	2,323
In 2015	**3,873**	3,869
In 2018	**1,536**	1,534
In 2022	**3,818**	3,814
	9,227	11,540
Fixed-rate unlisted notes payable are repayable:		
In 2014	**628**	—
In 2017	**624**	612
	1,252	612
Loans from ultimate holding company		
Repayable within 1 year	**1,027**	986
Loans from an intermediate holding company		
Repayable between 2 and 5 years	**620**	617
Loans from immediate holding company		
Repayable between 2 and 5 years	**7,862**	—
Loans from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	**213**	183

Note: All bank borrowings are unsecured except for HK$668 million (31 December 2012: HK$540 million).

The interest bearing debts are denominated in the following currencies:

As at 30 June 2013	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from immediate holding company HK$' million	Loans from an intermediate holding company HK$' million	Loans from ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	**3,836**	**9,227**	—	**3,892**	—	—	—	**16,955**
RMB	**1,905**	—	**1,252**	—	**620**	**1,027**	—	**4,804**
EURO	**655**	—	—	**3,970**	—	—	**213**	**4,838**
	6,396	**9,227**	**1,252**	**7,862**	**620**	**1,027**	**213**	**26,597**

As at 31 December 2012	Bank borrowings HK$' million	Listed notes payable HK$' million	Unlisted notes payable HK$' million	Loans from immediate holding company HK$' million	Loans from an intermediate holding company HK$' million	Loans from ultimate holding company HK$' million	Loans from a non-controlling equity holder of a subsidiary HK$' million	Total HK$' million
HKD & USD	3,038	11,540	—	—	—	—	—	14,578
RMB	1,344	—	612	—	617	986	—	3,559
EURO	502	—	—	—	—	—	183	685
	4,884	11,540	612	—	617	986	183	18,822

Assets charge

As at 30 June 2013, the Company did not have any charge over its assets. Bank loans of HK$668 million (31 December 2012: HK$540 million) borrowed by subsidiaries are secured by their property, plant and equipment with carrying value of HK$35 million (31 December 2012: HK$35 million) and land use rights with carrying value of HK$7 million (31 December 2012: HK$7 million). In addition, the entire shareholding in a subsidiary owned by the Group is also pledged to various banks for bank facilities granted to that subsidiary.

Employees and remuneration

As at 30 June 2013, the Group employed 5,806 full time staff, of which 167 worked in Hong Kong, 5,529 worked in Mainland China, and the remaining 110 worked overseas.

The remuneration paid for the period amounted to HK$594 million, representing 24.4% 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.

Future prospects

Looking into the second half of the year, uncertain economic factors, such as monetary policy direction of developed economies like the US and Japan, the recovery pace of the Euro Zone, how much longer would the emerging economies continue to reflect low growth, and trade protectionism are expected to continue to have a direct impact to the global economic growth in 2013. The IMF forecasts that the global economic growth would remain primarily the same as that for last year. That global trade is unlikely to significantly grow in the near term has led on one hand the shipping industry to remain gloomy, and on another to the formation of alliance of major liners. These market-derived adjustments will likely cause the existing international maritime market dilemma to change thereby, in turn, creating both challenges and opportunities to the ports operation industry. As for China, bounded by policies that stress "industry upgrade and quality orientation", its domestic economy is unlikely to repeat the high growth momentum exhibited in the past. Key economic development goals for the coming future will likely focus on keeping growth stable, implementing structural adjustments, and encouraging reforms so as to bring forth a systemic unity that combines macro-economy, micro-economy, and social policies.

Affected by both external and domestic economic conditions, the Group believes that Mainland's port industry will in the near term likely encounter the pressure from a continuing growth slowdown, although the traditional peak season in the second half of the year is expected to lend support to China's export trade. The performance of the Group's core ports operation in this period will therefore likely outperform that for the first half due, in part, to the contribution from the newly added overseas projects.

During the second half of the year, by adhering to the Group's established operational philosophy, the Group will continue to expand its overseas portfolio, constantly refine the sophisticated management system, seek to capitalize on the potential benefits from more efficient use of the Group's assets, increase its effort in business innovation and upgrade, and identify new income streams, all in all with a view to intensifying the impetus to support its sustainable growth.

In terms of operation, the Group will continue to enhance the resource efficiency and asset utilisation at its homebase ports in Shenzhen through integration and synchronization of operation and management. The Group will seek to streamline the cargo distribution capabilities at ports and dedicate its effort in driving the development of key initiatives such as the "National Container Sea-rail Inter-modal Transportation Network Application Demonstration Project", the barge network in the Pearl River Delta, the positioning of and synergy effects among river ports, upgrade of berths and improvements in channel capabilities. In addition, the Group will strengthen its intangible advantages by fully leveraging on preferential policies offered at the bonded port zones, improving bonded logistics operational models, promoting collaboration between logistics park and adjacent ports, and elevating these ports' ability in terms of attracting and handling cargoes, while at the same time explore new businesses along the value chain, and capture potential business opportunities offered by cross-border E-commerce and bulk commodity trade.

As regards operational management, the Group will strive to strengthen management quality through innovative ideas. Measures including the building and application of a sophisticated management information platform, and the redesign of performance appraisal system and key performance indicators would be carried out in order to enhance the efficiency of management information gathering to support management analysis and decision making, thus elevating the management quality to a higher level. Meanwhile, the Group will persistently facilitate technological reforms and process optimization, active promotion of energy-saving and emission-reducing measures, and the extension in ports' capabilities both vertically and horizontally, through the construction of green ports.

Looking forward to the second half of the year, amid the global economy continued to be subject to increasing uncertain factors whereas the international maritime industry continued to experience downturn alongside intensified consolidation, the Group's ports operation will surely encounter certain market challenges. Through clearly identifying the conditions prevailing and making considered decisions, we would be able to navigate the Group's business steadily forward and bring about sustainable growth and, in turn, deliver better investment return for shareholders.

Interim dividend

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 22 HK cents per share (2012: 22 HK cents) in scrip form for the period, representing a dividend payout of 28.7%. The interim dividend will be paid on or around 28 November 2013 to shareholders whose names appear on the register of members of the Company on 7 October 2013, 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 21 October 2013. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that certificates for the new shares will be despatched to shareholders on or around 28 November 2013.

Closure of register

The register of members will be closed from 27 September 2013 to 7 October 2013 (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, Wan Chai, Hong Kong, not later than 4:30 p.m. on 26 September 2013. The interim dividend will be paid on or around 28 November 2013 to shareholders whose names appear on the register of members of the Company on 7 October 2013.

Directors' interests in securities

As at 30 June 2013, 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 held to the issued share capital of the Company as at 30 June 2013
Dr. Fu Yuning	Beneficial owner	Personal interest	587,699	400,000	0.0396%
Mr. Li Yinquan	Beneficial owner	Personal interest	—	400,000	0.0161%
Mr. Hu Zheng	Beneficial owner	Personal interest	—	700,000	0.0281%
Mr. Meng Xi	Beneficial owner	Personal interest	—	200,000	0.0080%
Mr. Su Xingang	Beneficial owner	Personal interest	—	350,000	0.0140%
Mr. Yu Liming	Beneficial owner	Personal interest	386,580	500,000	0.0356%
Mr. Wang Hong	Beneficial owner	Personal interest	529,277	150,000	0.0273%
Mr. Zheng Shaoping	Beneficial owner	Personal interest	—	300,000	0.0120%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	160,314	—	0.0064%
Mr. Li Kwok Heem John	Interest of spouse	Family interest	1,572,287	—	0.0631%
			3,236,157	3,000,000	0.2502%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2013, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

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

Share option scheme

At an extraordinary general meeting of the Company held on 9 December 2011, the shareholders of the Company adopted the new share option scheme (the "Share Option Scheme") and the previous share option scheme (the "Terminated Scheme") was terminated on the same date. Under the Share Option Scheme, the Board may, at their discretion, invite any director or employee of the Company or any of its subsidiaries or associates, to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by the CMHK Group (representing China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group.

Details of the share options outstanding as at 30 June 2013 which have been granted under the Terminated Scheme are as follows:

Name	Date of grant	Exercise price HK$	Options held as at 1 January 2013	Options granted during the period	Options exercised during the period	Options lapsed/ cancelled during the period	Options held as at 30 June 2013
Directors							
Dr. Fu Yuning	25 May 2006	23.03	400,000	—	—	—	400,000
Mr. Li Yinquan	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. Zheng Shaoping	25 May 2006	23.03	300,000	—	—	—	300,000
			3,000,000	—	—	—	3,000,000
Continuous contract employees							
(I) The Group	27 October 2004	11.08	750,000	—	—	—	750,000
	25 May 2006	23.03	11,723,000	—	(220,000)	—	11,503,000
	21 June 2006	20.91	150,000	—	—	—	150,000
(II) The CMHK Group	27 October 2004	11.08	1,000,000	—	—	—	1,000,000
	25 May 2006	23.03	9,374,000	—	(330,000)	—	9,044,000
			22,997,000	—	(550,000)	—	22,447,000
			25,997,000	—	(550,000)	—	25,447,000

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$26.921.
3. No share options were granted under the Share Option Scheme during the period.

Substantial shareholders

As at 30 June 2013, the following persons, other than a director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Positions

Name of Substantial Shareholder	Capacity	Ordinary Shares held	Percentage of total issued Shares
China Merchants Group Limited	Interest of Controlled Corporation	1,364,294,203(1,2,3)	54.75%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	1,361,294,203(2)	54.63%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	1,361,294,203(2)	54.63%
China Merchants Union (BVI) Limited	Beneficial Owner	1,344,024,687(2)	53.93%
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	Investment Manager	145,910,554	5.86%
Commonwealth Bank of Australia	Interest of Controlled Corporation	150,837,301(4)	6.05%
Colonial Holding Company Limited	Interest of Controlled Corporation	150,837,301(4)	6.05%
Commonwealth Insurance Holdings Limited	Interest of Controlled Corporation	150,837,301(4)	6.05%
Colonial First State Group Ltd	Interest of Controlled Corporation	150,837,301(4)	6.05%

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 1,364,294,203 shares, which represents the aggregate of 1,361,294,203 shares deemed to be interested by China Merchants Steam Navigation Company Limited (see Note 2 below) and 3,000,000 shares deemed to be interested 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 1,361,294,203 shares which are deemed to be interested by China Merchants Holdings (Hong Kong) Company Limited. Such shares represent the aggregate of 1,344,024,687 shares beneficially held by China Merchants Union (BVI) Limited and 17,269,516 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 17,269,516 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 interested by Top Chief Company Limited. Such shares represent the 3,000,000 shares beneficially held by Orienture Holdings Company Limited.

4. Colonial First State Group Ltd. is deemed to be interested in the shares beneficially held by its direct wholly-owned subsidiary, Colonial First State Asset Management (Australia) Limited, and each of its indirect wholly-owned subsidiaries, First State Investments (Hong Kong) Limited, First State Investments (Singapore), First State Investment Management (UK) Limited, First State Investments International Ltd and Colonial First State Investments Limited. Colonial First State Group Ltd. is wholly-owned by Commonwealth Insurance Holdings Limited, which is in turn wholly-owned by Colonial Holding Company Limited, which is in turn wholly-owned by Commonwealth Bank of Australia. Therefore, each of Commonwealth Insurance Holdings Limited, Colonial Holding Company Limited and Commonwealth Bank of Australia is deemed to be interested in the shares which Colonial First State Group Ltd. is deemed to be interested in.

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

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

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2013, except the following:

Code Provision E.1.2

Due to business trip, Dr. Fu Yuning, the Chairman of the Board, did not attend the annual general meeting of the Company held on 18 June 2013. Mr. Li Jianhong, the Vice Chairman took the chair of the annual general meeting according to the Company's Articles of Association. In order to ensure effective communication with the shareholders, members of the Audit Committee, the Remuneration Committee and the Nomination Committee and the external auditor were present at the annual general meeting to answer shareholders' questions.

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

Audit Committee

The Audit Committee of the Company comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2013 and the 2013 Interim Report.

Update on Director's Biographical Details

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 29 August 2013

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

	Note	Unaudited **2013** **HK$'million**	2012 HK$'million
Revenue	6	**3,745**	4,793
Cost of sales		**(2,025)**	(2,737)
Gross profit		**1,720**	2,056
Other gains, net	8	**205**	503
Other income	8	**97**	90
Distribution costs		—	(31)
Administrative expenses		**(410)**	(568)
Operating profit		**1,612**	2,050
Finance income	9	**33**	73
Finance costs	9	**(498)**	(628)
Finance costs, net	9	**(465)**	(555)
Share of profits less losses of			
Associates		**1,450**	1,325
Joint ventures		**139**	147
Profit before taxation		**2,736**	2,967
Taxation	10	**(382)**	(502)
Profit for the period	11	**2,354**	2,465
Attributable to:			
Equity holders of the Company		**1,935**	1,756
Non-controlling interests		**419**	709
Profit for the period		**2,354**	2,465
Dividend	12	**555**	548
Earnings per share for profit attributable to equity holders of the Company	13		
Basic (HK cents)		**77.67**	70.97
Diluted (HK cents)		**77.56**	70.87

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Unaudited 2013 HK$'million	2012 HK$'million
Profit for the period	**2,354**	2,465
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	**717**	(264)
(Decrease)/increase in fair value of available-for-sale financial assets, net of deferred taxation	**(376)**	118
Share of investment revaluation reserve of an associate	**(55)**	(3)
Items that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates and a joint venture	**63**	(1)
Share of net actuarial loss on a defined benefit plan of an associate	**—**	(15)
Total other comprehensive income/(expense) for the period, net of tax	**349**	(165)
Total comprehensive income for the period	**2,703**	2,300
Total comprehensive income attributable to:		
Equity holders of the Company	**2,215**	1,653
Non-controlling interests	**488**	647
	2,703	2,300

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Note	**Unaudited 30 June 2013 HK$'million**	Audited 31 December 2012 HK$'million
ASSETS			
Non-current assets			
Goodwill	14	**3,307**	3,293
Intangible assets	14	**4,553**	4,796
Property, plant and equipment	14	**18,708**	16,863
Investment properties	14	**1,829**	1,534
Land use rights	14	**8,241**	7,946
Interests in associates	15	**34,747**	28,468
Interests in joint ventures		**5,341**	5,172
Other financial assets		**1,677**	2,092
Other non-current assets		**480**	1,130
Deferred tax assets		**127**	120
		79,010	71,414
Current assets			
Inventories		**111**	89
Other financial assets		**439**	369
Debtors, deposits and prepayments	16	**2,816**	1,400
Taxation recoverable		**1**	2
Cash and bank balances		**4,059**	4,192
		7,426	6,052
Total assets		**86,436**	77,466

As at 30 June 2013

	Note	Unaudited 30 June 2013 HK$'million	Audited 31 December 2012 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**249**	249
Reserves		**44,544**	44,097
Proposed dividend		**555**	1,196
		45,348	45,542
Non-controlling interests		**7,678**	8,140
Total equity		**53,026**	53,682
LIABILITIES			
Non-current liabilities			
Loans from immediate holding company	18	**7,862**	—
Loans from an intermediate holding company	18	**620**	617
Other financial liabilities	19	**13,419**	11,184
Other non-current liabilities		**1,509**	1,489
Deferred tax liabilities		**1,743**	1,693
		25,153	14,983
Current liabilities			
Creditors and accruals	20	**3,302**	1,641
Loans from ultimate holding company	18	**1,027**	986
Other financial liabilities	19	**3,669**	6,035
Taxation payable		**259**	139
		8,257	8,801
Total liabilities		**33,410**	23,784
Total equity and liabilities		**86,436**	77,466
Net current liabilities		**831**	2,749
Total assets less current liabilities		**78,179**	68,665

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

	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	Total HK$'million	HK$'million	HK$'million
As at 1 January 2013	249	15,907	8,038	21,348	45,542	8,140	53,682
COMPREHENSIVE INCOME							
Profit for the period	—	—	—	1,935	1,935	419	2,354
Other comprehensive income/(expense)							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	648	—	648	69	717
Decrease in fair value of available-for-sale financial assets, net of deferred taxation	—	—	(376)	—	(376)	—	(376)
Share of reserves of associates and a joint venture	—	—	8	—	8	—	8
Other comprehensive income for the period, net of tax	—	—	280	—	280	69	349
Total comprehensive income for the period	—	—	280	1,935	2,215	488	2,703
TRANSACTIONS WITH OWNERS							
Issue of shares on exercise of share options, net of share issue expenses	—	13	—	—	13	—	13
Transfer to reserves	—	—	17	(17)	—	—	—
Acquisition of additional interests in subsidiaries from a non-controlling equity holder	—	—	(1,226)	—	(1,226)	(750)	(1,976)
Capital contribution to a subsidiary	—	—	—	—	—	25	25
Dividends	—	—	—	(1,196)	(1,196)	(208)	(1,404)
Repayment of capital contribution to non-controlling equity holders	—	—	—	—	—	(17)	(17)
Total transactions with owners for the period	—	13	(1,209)	(1,213)	(2,409)	(950)	(3,359)
As at 30 June 2013	249	15,920	7,109	22,070	45,348	7,678	53,026

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

	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	Total HK$'million	HK$'million	HK$'million
As at 1 January 2012	247	15,526	7,744	19,935	43,452	11,355	54,807
COMPREHENSIVE INCOME							
Profit for the period	—	—	—	1,756	1,756	709	2,465
Other comprehensive income/(expense)							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(202)	—	(202)	(62)	(264)
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	—	118	—	118	—	118
Share of reserves of associates and a joint venture	—	—	(4)	—	(4)	—	(4)
Share of net actuarial loss on a defined benefit plan of an associate	—	—	—	(15)	(15)	—	(15)
Other comprehensive expense for the period, net of tax	—	—	(88)	(15)	(103)	(62)	(165)
Total comprehensive income/(expense) for the period	—	—	(88)	1,741	1,653	647	2,300
TRANSACTIONS WITH OWNERS							
Issue of shares on exercise of share options, net of share issue expenses	—	5	—	—	5	—	5
Transfer to reserves	—	—	10	(10)	—	—	—
Acquisition of additional interests in subsidiaries from non-controlling equity holders	—	—	(13)	—	(13)	(11)	(24)
Capital contribution to subsidiaries	—	—	—	—	—	132	132
Dividends	—	—	—	(1,683)	(1,683)	(152)	(1,835)
Repayment of capital contribution to non-controlling equity holders	—	—	—	—	—	(14)	(14)
Total transactions with owners for the period	—	5	(3)	(1,693)	(1,691)	(45)	(1,736)
As at 30 June 2012	247	15,531	7,653	19,983	43,414	11,957	55,371

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited 2013 HK$'million	2012 HK$'million
Net cash generated from operating activities	**1,741**	2,553
Net cash used in investing activities	**(5,590)**	(469)
Net cash generated from financing activities	**4,933**	2,469
Net increase in cash and cash equivalents	**1,084**	4,553
Cash and cash equivalents as at 1 January	**2,806**	6,520
Effect of foreign exchange rate changes	**27**	(32)
Cash and cash equivalents as at 30 June	**3,917**	11,041

Notes to the 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 operation, bonded logistics and cold chain operations and property investment.

The Company is a limited liability company incorporated in Hong Kong and has its shares listed on The Stock Exchange of Hong Kong Limited. The 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 has been approved for issue on 29 August 2013. This condensed consolidated interim financial information has not been audited.

2. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Principal Accounting Policies

The condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared on the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, all of which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described therein.

3. Principal Accounting Policies (Continued)

Adoption of new and revised HKFRSs effective during the period

During the period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised standards on consolidation, joint arrangements, associates and disclosures

During the period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to this condensed consolidated interim financial information as it deals only with separate financial statements. The impact of the application of these standards is set out below.

(i) Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) - Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns not more than 50% of the voting rights in an investee has control over the investee is relevant to the Group. The directors of the Company made assessments as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over Shenzhen Chiwan Wharf Holdings Limited ("Shenzhen Chiwan", together with its subsidiaries the "Shenzhen Chiwan Group") and Thesar Maritime Limited ("TML") in which the Group's voting rights are not more than 50% in accordance with the new definition of control and the related guidance set out in HKFRS 10, and concluded that it has had control over Shenzhen Chiwan since 2010 and TML since its acquisition by the Group in 2012 under both HKFRS 10 and the previous standard HKAS 27. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in this condensed consolidated interim financial information. Details of the assessments are set out as follows:

3. Principal Accounting Policies (Continued)

Adoption of new and revised HKFRSs effective during the period (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

(i) Impact of the application of HKFRS 10 (Continued)

Shenzhen Chiwan

On 18 June 2010, the Company and China Merchants Holdings (Hong Kong) Company Limited ("CMHK"), an intermediate holding company, entered into an entrustment agreement ("China Nanshan Entrustment Agreement") pursuant to which CMHK agreed to grant to the Company the management rights and the power to direct the voting right over approximately 23% of the total issued share capital of 中國南山開發(集團)股份有限公司 (China Nanshan Development (Group) Incorporation, being an unofficial English Name) ("China Nanshan"). The China Nanshan Entrustment Agreement took effect on 12 August 2010 upon being approved by the independent shareholders of the Company. Together with the approximately 37% equity interest in China Nanshan then held by the Group, the Group had on the basis of its ability to exercise majority rights at the board of China Nanshan, accounted for China Nanshan and its subsidiaries (together the "Nanshan Group") as subsidiaries of the Company from that date.

On 17 September 2012, the Company and China Nanshan, then a subsidiary of the Company, entered into an entrustment agreement (the "Chiwan Entrustment Agreement"), pursuant to which China Nanshan granted to the Company the management rights and the power to direct the voting right over approximately 58% interest in Shenzhen Chiwan, a joint stock limited company established under the laws of the People's Republic of China (the "PRC"), whose A shares and B shares are listed on the Shenzhen Stock Exchange, held by China Nanshan. The Chiwan Entrustment Agreement became effective on 1 November 2012 upon the formal approval of the relevant PRC government authority.

Upon the Chiwan Entrustment Agreement became effective, the Group, on its own without exercising its control rights and power over China Nanshan, is entitled to exercise the management rights and has the power to direct the voting rights over the interest in Shenzhen Chiwan. Accordingly, the Group, on its own without the equity interests of China Nanshan, is able to exercise majority rights at the board of Shenzhen Chiwan and hence consolidates Shenzhen Chiwan in its consolidated financial statements. During the period, following the completion of acquisition of 25% interest in Shenzhen Chiwan from China Nanshan, the Group (excluding Nanshan Group) is beneficially interested in approximately 34% of Shenzhen Chiwan.

TML

On 29 August 2012, the Group completed the acquisition of 50% of issued share capital in, and assignment of the related shareholders' loans to, TML, whose wholly-owned subsidiary, Lomé Container Terminal S.A. ("LCTSA"), is granted with a port operating right in Togolese Republic. Pursuant to the relevant shareholders' agreement, the Group and the other shareholder of TML have agreed to form an executive committee ("EC") to manage the relevant financing and operating decisions of TML, and via TML, those of LCTSA. The Group has a majority voting power in the EC and the directors of the Company consider that the activities that significantly affect the returns of TML and LCTSA are determined by the EC and accordingly the Group has the ability to control TML and via TML, LCTSA, so as to affect return of TML and LCTSA.

3. Principal Accounting Policies (Continued)

Adoption of new and revised HKFRSs effective during the period (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

(ii) Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) - Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The directors of the Company reviewed and assessed the classification of the Group's investments in the joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in each of the joint arrangements, each of which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in this condensed consolidated interim financial information.

3. Principal Accounting Policies (Continued)

Adoption of new and revised HKFRSs effective during the period (Continued)

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad. The fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (see note 5 for disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in this condensed consolidated interim financial information.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two consecutive statements.

In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The adoption of other new or revised HKFRSs above has had no material effect on the amounts reported in this condensed consolidated interim financial information or disclosures set out in this condensed consolidated interim financial information.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2012.

5. Financial Risk Management

(i) Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk.

The condensed consolidated interim financial information does not show all financial risk management information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

There have been no significant changes in the risk management since last financial year end or in any risk management policies.

(ii) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

5. Financial Risk Management (Continued)

(ii) Fair value estimation (Continued)

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

The following tables present the Group's assets that are measured at fair value as at 30 June 2013 and 31 December 2012:

	30 June 2013			
	Level 1 HK$'million	**Level 2 HK$'million**	**Level 3 HK$'million**	**Total HK$'million**
Financial assets				
Financial asset at fair value through profit or loss	—	—	**439**	**439**
Available-for-sale financial assets				
– listed equity investments	**1,486**	—	—	**1,486**
– unlisted equity investments	—	—	**191**	**191**
	1,486	—	**630**	**2,116**

	31 December 2012			
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
Financial asset at fair value through profit or loss	—	—	369	369
Available-for-sale financial assets				
– listed equity investments	1,855	—	—	1,855
– unlisted equity investments	—	—	237	237
	1,855	—	606	2,461

Set out below is the information about how the fair values of the above financial instruments are determined, including the valuation methodologies and inputs used:

Financial asset at fair value through profit or loss represents preference shares issued by a privately held company incorporated in the United States. The valuation methodologies adopted is the Guidance Public Traded Company method (the "GPTC Method") whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries and an expected time for the issuer to complete an initial public offering. If any of the significant unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the financial asset at fair value through profit or loss would not be significant.

5. Financial Risk Management (Continued)

(ii) Fair value estimation (Continued)

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

The fair value of the listed equity instruments that are accounted for as available-for-sale financial assets is valued based on the quoted prices in active markets for the identical assets directly and no significant input is involved in the valuation.

The fair value of the unlisted equity instruments that are accounted for as available-for-sale financial assets is also valued based on the GPTC Method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. If any of the significant unobservable inputs above was 5% higher/lower while all the other variables were held constant, the changes in fair value of the unlisted equity instruments would not be significant.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2013:

	Financial asset at fair value through profit or loss HK$'million	Available-for-sale financial assets HK$'million	Total HK$'million
As at 1 January 2013	**369**	**237**	**606**
Loss recognised in other comprehensive income (included in other reserves)	—	**(46)**	**(46)**
Gain recognised in profit or loss (included in other gains)	**70**	—	**70**
As at 30 June 2013	**439**	**191**	**630**

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

5. Financial Risk Management (Continued)

(ii) Fair value estimation (Continued)

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as set out below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values at the end of the reporting period.

		30 June 2013		31 December 2012	
	Fair value hierarchy	**Carrying amount HK$'million (note 19(f))**	**Fair value HK$'million**	Carrying amount HK$'million (note 19(f))	Fair value HK$'million
Financial liabilities					
Other financial liabilities					
– bank loans	Level 3	**6,396**	**6,313**	4,884	4,775
– notes payable, listed	Level 1	**9,227**	**9,736**	11,540	12,575
– notes payable, unlisted	Level 3	**1,252**	**1,261**	612	594

The fair values of the above financial liabilities included in the level 3 category have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

6. Revenue

The principal activities of the Group comprise ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and property development and investment. The following is an analysis of the Group's revenue from its major products and services offered during the period.

	Six months ended 30 June	
	2013 HK$'million	2012 HK$'million
Ports service, transportation income, container service and container yard management income	**3,394**	3,268
Logistics services income (including rental income)	**331**	831
Sales of properties and goods	—	674
Gross rental income from investment properties	**20**	20
	3,745	4,793

7. Segment Information

The key management team of the Company is regarded as the Chief Operation Decision-Maker ("CODM"), who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The CODM manages the Group's operations by divisions from both a business and geographic perspective.

Individual operating segments are operated by their respective management teams for which discrete financial information is available are identified by the CODM and are aggregated in arriving at the reportable segments of the Group.

From a business and financial perspective, management assesses the performance of business operations including ports operation, bonded logistics and cold chain operations, port-related manufacturing operations and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. Ports operation was further evaluated on a geographic basis, including the Pearl River Delta excluding Hong Kong ("PRD excluding HK"), Hong Kong, Yangtze River Delta and other locations in prior years. As set out in note 15, the Group is active in developing its business operations into overseas market as a pertinent means to effectively add new growth drivers to its ports business and accordingly, changed the structure of its internal reports that the CODM reviews. Specifically, "other locations" in prior years is separated into two reportable segments in the current period, namely "others" under the geographical location of "Mainland China, Hong Kong and Taiwan" and "other locations" outside of Mainland China, Hong Kong and Taiwan.

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

(a) Mainland China, Hong Kong and Taiwan

- PRD excluding HK
- Hong Kong
- Yangtze River Delta
- Others

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

Since the structure of the Group's internal organisation has been changed in a manner that causes the composition of the reportable segments of the ports operation to change, the corresponding segment information for the six months ended 30 June 2012 and as at 31 December 2012, as appropriate, are restated.

7. Segment Information (Continued)

(ii) Bonded logistics and cold chain operations include logistic park operation, ports transportation, cold storage and logistics operation and airport cargo handling operated by the Group and its associates.

(iii) Port-related manufacturing operations include container manufacturing operated by the Group's associate and construction of modular housing operated by Nanshan Group excluding Shenzhen Chiwan Group (the "Nanshan Outgoing Group").

(iv) Other operations included property development and investment and corporate function in prior years.

Upon the Group ceasing to control China Nanshan on 28 December 2012, China Nanshan is accounted for as an investment in associate of the Group. Thereafter, the performance of the Nanshan Outgoing Group is also evaluated by the CODM as part of the other operations. In prior years, businesses of the Nanshan Outgoing Group were included in "bonded logistics and cold chain operations", "port-related manufacturing operations" and "property development and investment", as appropriate.

The Nanshan Outgoing Group, together with property investment, are recognised as "other investments".

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

Over 90% of the revenue of the Group for each of the six-month periods ended 30 June 2013 and 2012 were derived in Mainland China.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the six-month periods ended 30 June 2013 and 2012.

As at 30 June 2013, non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located is as follows:

	30 June 2013 HK$'million	31 December 2012 HK$'million
Mainland China, Hong Kong and Taiwan	**63,795**	61,989
Other locations	**13,411**	7,213
	77,206	69,202

7. 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 joint ventures" below represent the Group's share of revenue of associates and joint ventures respectively. An analysis of the Group's revenue by segments is as follows:

	For the six months ended 30 June 2013									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
REVENUE										
Company and subsidiaries	**3,002**	**88**	**—**	**304**	**—**	**3,394**	**331**	**—**	**20**	**3,745**
Share of associates	**96**	**457**	**4,181**	**—**	**380**	**5,114**	**86**	**9,028**	**1,095**	**15,323**
Share of joint ventures	**1**	**5**	**180**	**877**	**—**	**1,063**	**—**	**—**	**—**	**1,063**
Total segment revenue	**3,099**	**550**	**4,361**	**1,181**	**380**	**9,571**	**417**	**9,028**	**1,115**	**20,131**

	For the six months ended 30 June 2012 (as restated)									
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
REVENUE										
Company and subsidiaries	2,862	117	—	289	—	3,268	831	314	380	4,793
Share of associates	80	444	4,076	—	237	4,837	264	9,249	570	14,920
Share of joint ventures	—	9	143	838	—	990	—	—	345	1,335
Total segment revenue	2,942	570	4,219	1,127	237	9,095	1,095	9,563	1,295	21,048

7. Segment Information (Continued)

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

	For the six months ended 30 June 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Operating profit/(loss)	1,354	9	63	93	(25)	1,494	117	(10)	82	(71)	11	1,612
Share of profits less losses of												
– Associates	28	115	813	–	168	1,124	26	175	125	–	125	1,450
– Joint ventures	–	–	62	77	–	139	–	–	–	–	–	139
	1,382	124	938	170	143	2,757	143	165	207	(71)	136	3,201
Finance costs, net	(61)	–	–	(18)	(2)	(81)	(16)	–	–	(368)	(368)	(465)
Taxation	(239)	(1)	(79)	(21)	(6)	(346)	(22)	(8)	(7)	1	(6)	(382)
Profit/(loss) for the period	1,082	123	859	131	135	2,330	105	157	200	(438)	(238)	2,354
Non-controlling interests	(388)	–	–	(19)	(17)	(424)	5	–	–	–	–	(419)
Profit/(loss) attributable to equity holders of the Company	694	123	859	112	118	1,906	110	157	200	(438)	(238)	1,935
Other information:												
Depreciation and amortisation	455	4	–	55	1	515	70	–	–	3	3	588
Capital expenditure	564	–	–	165	806	1,535	232	–	–	–	–	1,767

7. Segment Information (Continued)

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

	For the six months ended 30 June 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Property development and investment	Corporate function	Sub-total	
	PRD excluding HK	Hong Kong	Yangtze River Delta	Others								
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
Operating profit/(loss)	1,316	15	46	64	(10)	1,431	690	15	(4)	(82)	(86)	2,050
Share of profits less losses of												
– Associates	22	101	673	–	86	882	52	288	103	–	103	1,325
– Joint ventures	–	–	37	121	–	158	–	–	(11)	–	(11)	147
	1,338	116	756	185	76	2,471	742	303	88	(82)	6	3,522
Finance costs, net	(54)	–	–	(38)	–	(92)	(46)	(12)	(140)	(265)	(405)	(555)
Taxation	(254)	(2)	(68)	(13)	(5)	(342)	(124)	(17)	(19)	–	(19)	(502)
Profit/(loss) for the period	1,030	114	688	134	71	2,037	572	274	(71)	(347)	(418)	2,465
Non-controlling interests	(335)	–	–	(16)	(31)	(382)	(372)	3	42	–	42	(709)
Profit/(loss) attributable to equity holders of the Company	695	114	688	118	40	1,655	200	277	(29)	(347)	(376)	1,756
Other information:												
Depreciation and amortisation	429	4	–	93	–	526	98	12	25	3	28	664
Capital expenditure	290	4	–	97	402	793	384	21	10	1	11	1,209

7. Segment Information (Continued)

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than taxation recoverable and deferred tax assets, and all liabilities are allocated to reportable segments other than taxation payable and deferred tax liabilities.

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

	As at 30 June 2013											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	25,023	171	2,416	3,181	8,244	39,035	4,380	196	1,509	1,100	2,609	46,220
Interests in associates	1,326	1,632	14,817	–	6,492	24,267	425	6,744	3,311	–	3,311	34,747
Interests in joint ventures	3	5	911	4,422	–	5,341	–	–	–	–	–	5,341
Total segment assets	26,352	1,808	18,144	7,603	14,736	68,643	4,805	6,940	4,820	1,100	5,920	86,308
Taxation recoverable												1
Deferred tax assets												127
Total assets												86,436
LIABILITIES												
Segment liabilities	(6,467)	(30)	–	(1,576)	(3,535)	(11,608)	(770)	(10)	(7)	(19,013)	(19,020)	(31,408)
Taxation payable												(259)
Deferred tax liabilities												(1,743)
Total liabilities												(33.410)

7. Segment Information (Continued)

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

	As at 31 December 2012 (as restated)											
	Ports operation						Bonded logistics and cold chain operations	Port-related manufacturing operations	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	PRD excluding HK HK$'million	Hong Kong HK$'million	Yangtze River Delta HK$'million	Others HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	24,215	165	1,848	3,063	6,495	35,786	4,119	19	1,444	2,336	3,780	43,704
Interests in associates	1,301	1,656	14,734	—	1,048	18,739	440	6,597	2,692	—	2,692	28,468
Interests in joint ventures	3	5	833	4,331	—	5,172	—	—	—	—	—	5,172
Total segment assets	25,519	1,826	17,415	7,394	7,543	59,697	4,559	6,616	4,136	2,336	6,472	77,344
Taxation recoverable												2
Deferred tax assets												120
Total assets												77,466
LIABILITIES												
Segment liabilities	(4,910)	(32)	—	(1,508)	(1,872)	(8,322)	(1,296)	—	(7)	(12,327)	(12,334)	(21,952)
Taxation payable												(139)
Deferred tax liabilities												(1,693)
Total liabilities												(23,784)

8. Other Gains, Net and Other Income

	Six months ended 30 June	
	2013	2012
	HK$'million	HK$'million
Other gains, net		
Increase in fair value of investment properties	**62**	477
Increase in fair value of financial asset at fair value through profit or loss	**70**	36
Gain on disposal of property, plant and equipment	**1**	2
Net exchange gains/(losses)	**72**	(12)
	205	503
Other income		
Dividend income from available-for-sale financial assets		
– listed equity investments	**63**	47
– unlisted equity investments	**15**	14
Dividend income from financial asset at fair value through profit or loss	**10**	10
Others	**9**	19
	97	90

9. Finance Income and Costs

	Six months ended 30 June 2013 HK$'million	2012 HK$'million
Finance income from:		
Interest income from bank deposits	**25**	73
Others	**8**	—
	33	73
Interest expense on:		
Bank borrowings		
– wholly repayable within five years	**(105)**	(222)
– not wholly repayable within five years	**(15)**	(9)
Listed notes payable		
– wholly repayable within five years	**(231)**	(179)
– not wholly repayable within five years	**(100)**	(89)
Unlisted notes wholly repayable within five years	**(17)**	(109)
Loans from		
– ultimate holding company	**(26)**	(61)
– an intermediate holding company	**(13)**	(14)
– immediate holding company	**(41)**	—
– a non-controlling equity holder of a subsidiary	**(5)**	(1)
Others	**(39)**	—
Total borrowing costs incurred	**(592)**	(684)
Less: amount capitalised on qualifying assets (Note)	**94**	56
Finance costs	**(498)**	(628)
Finance costs, net	**(465)**	(555)

Note: Capitalisation rate of 4.68% per annum (2012: 5.13% per annum) was used, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

10. Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of PRC ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first three or five profit making years and followed by a 50% reduction in PRC corporate income tax for the next three or five years, respectively, thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied if such companies are the beneficial owner of over 25% of these PRC entities according to PRC tax regulations.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2013	2012
	HK$'million	HK$'million
Current taxation		
Hong Kong Profits Tax	**1**	4
PRC corporate income tax	**235**	269
PRC withholding income tax	**109**	118
Overseas withholding income tax	**5**	4
Deferred taxation	**32**	107
	382	502

11. Profit for the Period

	Six months ended 30 June	
	2013	2012
	HK$'million	HK$'million
Profit for the period has been arrived at after charging:		
Cost of inventories	**18**	390
Staff costs (including Directors' and chief executive's emoluments)	**594**	700
Depreciation of property, plant and equipment	**479**	562
Amortisation of intangible assets and land use rights	**109**	102
Operating lease rentals in respect of		
– land and buildings	**110**	65
– plant and machinery	**18**	40

12. Dividend

	Six months ended 30 June	
	2013	2012
	HK$'million	HK$'million
Interim dividend of 22 HK cents (2012: 22 HK cents) per share	**555**	548

At a meeting held on 29 August 2013, the Board of Directors proposed an interim dividend of 22 HK cents per share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to 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 2013.

The amount of interim dividend for 2013 was based on 2,522,677,151 (2012: 2,489,630,317) shares in issue as at 29 August 2013.

13. Earnings Per Share

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

	Six months ended 30 June	
	2013	2012
Basic		
Profit attributable to equity holders of the Company (HK$'million)	**1,935**	1,756
Weighted average number of ordinary shares in issue	**2,491,802,610**	2,474,548,639
Basic earnings per share (HK cents)	**77.67**	70.97
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	**1,935**	1,756
Weighted average number of ordinary shares in issue	**2,491,802,610**	2,474,548,639
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note)	**3,633,182**	3,306,564
Weighted average number of ordinary shares for diluted earnings per share	**2,495,435,792**	2,477,855,203
Diluted earnings per share (HK cents)	**77.56**	70.87

Note: Adjustment represents assumption of exercise 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 that would have been issued assuming the exercise of the share options.

14. Goodwill, Intangible Assets, Property, Plant and Equipment, Investment Properties and Land Use Rights

	Goodwill HK$'million	Intangible assets HK$'million	Property, plant and equipment HK$'million	Investment properties HK$'million	Land use rights HK$'million
Six months ended 30 June 2013					
Net book value as at 1 January 2013	**3,293**	**4,796**	**16,863**	**1,534**	**7,946**
Exchange adjustments	**14**	**(239)**	**406**	**4**	**116**
Additions	—	—	**1,192**	**133**	**257**
Increase in fair value	—	—	—	**62**	—
Disposals	—	—	**(1)**	—	—
Transfers	—	—	**727**	**96**	**27**
Depreciation and amortisation	—	**(4)**	**(479)**	—	**(105)**
Net book value as at 30 June 2013	**3,307**	**4,553**	**18,708**	**1,829**	**8,241**
Year ended 31 December 2012					
Net book value as at 1 January 2012	3,338	1,253	18,269	4,340	9,883
Exchange adjustments	—	179	(16)	2	(10)
Additions	—	101	2,887	—	108
Acquisition of subsidiaries	—	3,270	8	—	—
Increase in fair value	—	—	—	522	—
Disposals	—	—	(897)	(21)	—
Transfers	—	—	(341)	366	—
Ceasing to control certain subsidiaries	(45)	—	(1,971)	(3,675)	(1,834)
Depreciation and amortisation	—	(7)	(1,076)	—	(201)
Net book value as at 31 December 2012	3,293	4,796	16,863	1,534	7,946

15. Interests in Associates

For the six months ended 30 June 2013

(a) Acquisition of an associate for development of seaports and terminals and port related business in East Africa

On 29 December 2012, a wholly-owned subsidiary of the Company entered into a share purchase agreement with, among others, Djibouti Ports & Free Zones Authority, to acquire 23.5% of the issued share capital in Port de Djibouti S.A. ("PDSA"), at a cash consideration of US$185 million (equivalent to HK$1,435 million). The pre-closing reorganisation has been completed during the period. PDSA owns various levels of equity interests in entities engaging in planning, development, construction and operation of seaports and terminals and port related business in the City of Djibouti in Djibouti.

This transaction had been completed during the period and the Group's investment in PDSA is accounted for as an interest in an associate as the Directors consider the Group has significant influence over the investee.

(b) Acquisition of an associate interested in geographically-diversified container and bulk cargo terminals

On 25 January 2013, the Company and a wholly-owned subsidiary of the Company entered into a share purchase agreement with, among others, CMA Terminals Holding SAS, a company organised under the laws of France ("CMATH"), to acquire 49% of the issued share capital in Terminal Link SAS ("Terminal Link"), a company organised under the laws of France, at an aggregate cash consideration of EUR400 million (equivalent to HK$4,073 million) before any pricing adjustments, if applicable, pursuant to the share purchase agreement. The pre-closing reorganisation has been completed during the period. Terminal Link owns certain equity interests in various container and bulk cargo terminals located in Europe, Mediterranean Basin, Africa, Americas and Asia. Pursuant to the share purchase agreement, CMATH shall indemnify the Group for each of the seven years ending on 31 December 2019 in the event that the dividends it receives from Terminal Link do not achieve an agreed percentage of the Group's investment in Terminal Link.

This transaction had been completed during the period and the Group's investment in Terminal Link is accounted for as an interest in an associate as the Directors consider the Group has significant influence over the investee.

16. Debtors, Deposits and Prepayments

	30 June 2013 HK$'million	31 December 2012 HK$'million
Trade debtors, net (Note (a))	**1,057**	852
Amounts due from fellow subsidiaries (Note (b))	**8**	8
Amounts due from associates (Note (b))	**121**	122
Amounts due from joint ventures (Note (b))	**1**	7
Dividend receivables	**1,193**	53
Other debtors, deposits and prepayments	**436**	358
	2,816	1,400

Notes:

(a) Bill receivables of HK$28 million (31 December 2012: HK$17 million) are included in trade debtors as at 30 June 2013.

The Group has a credit policy of allowing an average credit period of 90 days (2012: 90 days) to its trade customers. The ageing analysis of trade debtors, net of provision for impairment of trade debtors, is as follows:

	30 June 2013 HK$'million	31 December 2012 HK$'million
Not yet due	**575**	273
Days overdue		
– 1 - 90 days	**445**	539
– 91 - 180 days	**29**	29
– 181 - 365 days	**5**	8
– Over 365 days	**3**	3
	1,057	852

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

17. Share Capital

	Number of shares		Share capital	
	Six months ended 30 June		Six months ended 30 June	
	2013	2012	**2013** HK$'million	2012 HK$'million
Ordinary shares of HK$0.1 each				
Authorised:				
As at 1 January and 30 June	**5,000,000,000**	5,000,000,000	**500**	500
Issued and fully paid:				
As at 1 January	**2,491,423,388**	2,474,411,236	**249**	247
Issue of shares on exercise of share options (Note (a))	**550,000**	360,000	**—**	—
As at 30 June	**2,491,973,388**	2,474,771,236	**249**	247

Notes:

(a) During the period, 550,000 (2012: 360,000) shares were issued on exercise of share options, with net proceeds of HK$13 million (2012: HK$5 million).

The weighted average share price at the time of exercise was HK$26.85 (2012: HK$23.95) per share. The related transaction costs have been deducted from the proceeds received.

(b) During the period from 1 July 2013 to the date of approval of this condensed consolidated interim financial information, 30,703,763 ordinary shares of HK$0.1 each were issued to satisfy the payment of the 2012 final dividend of HK$718 million and no ordinary shares were issued by way of exercise of share options.

(c) Share options

The existing share option scheme was approved by the shareholders of the Company and adopted on 9 December 2011. No share options have been granted during any of the six-month periods ended 30 June 2012 or 2013.

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

	Six months ended 30 June			
	2013		2012	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at 1 January	**22.08**	**25,997,000**	21.99	27,157,000
Exercised	**23.03**	**(550,000)**	13.74	(360,000)
As at 30 June	**22.05**	**25,447,000**	22.10	26,797,000

17. Share Capital (Continued)

Notes: (Continued)

(c) Share options (Continued)

All share options are exercisable as at 30 June 2013 and 31 December 2012. Share options outstanding as at 30 June 2013 and 31 December 2012 have the following expiry dates and exercise prices:

Year of expiry	Exercise price HK$	Number of share options 30 June 2013	31 December 2012
2014	11.08	**2,050,000**	2,050,000
2016	23.03	**23,247,000**	23,797,000
2016	20.91	**150,000**	150,000
		25,447,000	25,997,000

18. Loans From Ultimate Holding Company/an Intermediate Holding Company/Immediate Holding Company

(a) Loans from ultimate holding company

The loans from ultimate holding company are unsecured, interest bearing at annual rate of 5.2% (31 December 2012: 5.2%). The loans are denominated in Renminbi.

The loans from ultimate holding company are repayable within one year.

(b) 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 2012: 4.35%). The loans are denominated in Renminbi.

The loans from an intermediate holding company are repayable between two and five years.

(c) Loans from immediate holding company

The loans from immediate holding company are unsecured, interest bearing at annual rate of 3.8%. The loans are denominated in Euro or United States Dollars.

The loans from immediate holding company are repayable between two and five years.

19. Other Financial Liabilities

	30 June 2013 HK$'million	31 December 2012 HK$'million
Bank loans		
Short-term bank loans		
– unsecured	**2,917**	2,489
– secured (Note (a))	—	37
Long-term bank loans, wholly repayable within five years		
– unsecured	**2,698**	1,855
– secured (Note (a))	**13**	—
Long-term bank loans, not wholly repayable within five years		
– unsecured	**113**	—
– secured (Note (a))	**655**	503
	6,396	4,884
Loans from a non-controlling equity holder of a subsidiary (Note (c))	**213**	183
Notes payable (Note (d))		
– US$300 million, 6.125% guaranteed listed notes maturing in 2013	—	2,323
– US$500 million, 5.375% guaranteed listed notes maturing in 2015	**3,873**	3,869
– US$200 million, 7.125% guaranteed listed notes maturing in 2018	**1,536**	1,534
– US$500 million, 5% guaranteed listed notes maturing in 2022	**3,818**	3,814
– RMB500 million, 4.6% unlisted notes maturing in 2014	**628**	—
– RMB500 million, 5.28% unlisted notes maturing in 2017	**624**	612
	10,479	12,152
Total	**17,088**	17,219
Less: amounts due within one year included under current liabilities	**(3,669)**	(6,035)
Non-current portion	**13,419**	11,184

Notes:

(a) As at 30 June 2013, the following assets are pledged against the Group's secured bank loans:

	30 June 2013 HK$'million	31 December 2012 HK$'million
Property, plant and equipment	**35**	35
Land use rights	**7**	7
	42	42

In addition to the above, the entire shareholding in a subsidiary owned by the Group as at 30 June 2013 and 31 December 2012 is also pledged to various banks for bank facilities granted to that subsidiary.

19. Other Financial Liabilities (Continued)

Notes: (Continued)

(b) Listed notes issued by subsidiaries of the Group of HK$9,227 million (31 December 2012: HK$11,540 million) are secured by corporate guarantees provided by the Company.

(c) The amounts are unsecured, interest-bearing at 4.65% to 5.00% per annum and no balance is required to be repaid within twelve months from the end of the reporting period. Accordingly, the entire balances are classified as non-current.

(d) All of the note payables are issued by subsidiaries of the Company. The effective interest rates are as follows:

	30 June 2013	31 December 2012
US$300 million, 6.125% guaranteed listed notes maturing in 2013	—	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%
US$500 million, 5% guaranteed listed notes maturing in 2022	**5.22%**	5.22%
RMB500 million, 4.6% unlisted notes maturing in 2014	**4.90%**	—
RMB500 million, 5.28% unlisted notes maturing in 2017	**5.63%**	5.63%

(e) As at 30 June 2013, the Group has undrawn bank loan facilities amounting to HK$15,006 million (31 December 2012: HK$16,335 million), of which HK$14,251 million (31 December 2012: HK$15,386 million) and HK$755 million (31 December 2012: HK$949 million) are committed and uncommitted credit facilities respectively.

(f) The other financial liabilities as at 30 June 2013 and 31 December 2012 are repayable as follows:

	Bank loans		Listed notes payable		Unlisted notes payable		Loans from a non-controlling equity holder of a subsidiary		Total	
	30 June 2013 HK$'million	31 December 2012 HK$'million	**30 June 2013 HK$'million**	31 December 2012 HK$'million	**30 June 2013 HK$'million**	31 December 2012 HK$'million	**30 June 2013 HK$'million**	31 December 2012 HK$'million	**30 June 2013 HK$'million**	31 December 2012 HK$'million
Within 1 year	**3,041**	3,712	—	2,323	**628**	—	—	—	**3,669**	6,035
Between 1 and 2 years	**184**	135	**3,873**	—	—	—	—	—	**4,057**	135
Between 2 and 5 years	**3,018**	702	**1,536**	3,869	**624**	612	—	—	**5,178**	5,183
Within 5 years	**6,243**	4,549	**5,409**	6,192	**1,252**	612	—	—	**12,904**	11,353
More than 5 years	**153**	335	**3,818**	5,348	—	—	**213**	183	**4,184**	5,866
	6,396	4,884	**9,227**	11,540	**1,252**	612	**213**	183	**17,088**	17,219

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

	30 June 2013	31 December 2012
Hong Kong dollars	**1.00% to 4.05%**	1.34% to 3.70%
Renminbi	**5.15% to 7.25%**	5.32% to 7.87%
Euro	**3.72% to 5.46%**	3.85%
United States dollars	**3.79%**	—

(h) The fair values of the bank loans, the listed notes payable and the unlisted notes payable are set out in note 5(ii)(b).

20. Creditors and Accruals

	30 June 2013 HK$'million	31 December 2012 HK$'million
Trade creditors (Note (a))	**238**	294
Amount due to an intermediate holding company (Note (b))	**5**	5
Amounts due to fellow subsidiaries (Note (b))	**55**	107
Amounts due to associates (Note (b))	**282**	—
Amounts due to joint ventures (Note (b))	**4**	—
Dividend payable to the equity holders of the Company	**1,196**	—
Other payables and accruals	**1,522**	1,235
	3,302	1,641

Notes:

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

	30 June 2013 HK$'million	31 December 2012 HK$'million
Not yet due	**54**	5
Days overdue		
– 1 - 90 days	**63**	207
– 91 - 180 days	**33**	49
– 181 - 365 days	**34**	7
– Over 365 days	**54**	26
	238	294

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

21. Commitments

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

	30 June 2013 HK$'million	31 December 2012 HK$'million
Group:		
Authorised but not contracted		
– Property, plant and equipment	**280**	103
Contracted but not provided for		
– Property, plant and equipment	**4,869**	6,112
– Land use rights	**337**	216
	5,206	6,328
	5,486	6,431
Joint ventures:		
Authorised but not contracted		
– Property, plant and equipment	**12**	6
Contracted but not provided for		
– Property, plant and equipment	**847**	973
	859	979
	6,345	7,410

(b) Capital commitments for investments

	30 June 2013 HK$'million	31 December 2012 HK$'million
Group:		
Contracted but not provided for		
– Additional interests in subsidiaries	—	2,204
– Ports projects	**1,174**	2,165
	1,174	4,369

21. Commitments (Continued)

(c) Commitments under operating leases

As at 30 June 2013, the Group has future aggregate minimum lease payments under non-cancellable operating leases for property, plant and equipment and land use rights as follows:

	30 June 2013 HK$'million	31 December 2012 HK$'million
Within one year	**164**	175
In the second to fifth year inclusive	**433**	403
After the fifth year	**1,962**	2,001
	2,559	2,579

(d) Future operating lease receivables

As at 30 June 2013, the Group has future aggregate lease receivables under non-cancellable operating leases for land and buildings as follows:

	30 June 2013 HK$'million	31 December 2012 HK$'million
Within one year	**152**	195
In the second to fifth year inclusive	**95**	96
After the fifth year	**29**	24
	276	315

22. Material Changes in Ownership Interests in Subsidiaries Without Change of Control

For the six months ended 30 June 2013

In April 2013, the Group completed the acquisition of 25% equity interest in Shenzhen Chiwan for a consideration of RMB1,787 million (equivalent to HK$2,212 million) from China Nanshan. Upon the completion of the transaction, the beneficial interests of the Group (excluding Nanshan Group) in Shenzhen Chiwan increased from approximately 9% to approximately 34%. An amount of HK$750 million, being the proportionate share of the carrying amount of the net assets of Shenzhen Chiwan recognised by the Group, has been transferred from the non-controlling interests. The net difference between (i) the fair value of consideration paid by the Group and (ii) the aggregate of the decrease in non-controlling interests and the associated liabilities recognised by the Group in relation to the effective interest in Shenzhen Chiwan acquired, is recognised as other reserves.

23. Material Related Party Balances and Transactions

The Directors regard China Merchants Group Limited ("CMG"), a state-owned enterprise registered in the PRC and is controlled by PRC Government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the period and balances arising from related transactions as at 30 June 2013 are as follows:

(a) Balances and transactions with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group")

	Note	**Six months ended 30 June**	
		2013	2012
		HK$'million	HK$'million
Rental income from	(i)		
– an intermediate holding company		**14**	14
– fellow subsidiaries		**7**	6
Rental expenses paid to	(i)		
– fellow subsidiaries		**58**	49
– associates		**25**	—
Service income from	(ii)		
– fellow subsidiaries		**16**	4
– a joint venture		**63**	79
Service fees paid to	(iii)		
– fellow subsidiaries		**13**	11
– joint ventures		**4**	—
Interest expenses and up front fees paid to	(iv)		
– ultimate holding company		**26**	59
– an intermediate holding company		**13**	13
– immediate holding company		**41**	—

23. Material Related Party Balances and Transactions (Continued)

(a) Balances and transactions with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (Continued)

Notes:

(i) The Group rented certain vessels and properties from and leased office premises 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 subsidiaries provided barges to bring cargos into terminals operated by the Group and provided cargo management and paint shipping services to the Group. The service fees were charged with reference to market rates.

(iv) Interest expenses were charged at interest rate as specified in note 18 to the condensed consolidated interim financial information on the outstanding amounts due to ultimate, an intermediate and immediate holding companies.

(v) During the period, the Group sold inventories to a joint venture amounting to HK$14 million.

(vi) During the period, the Group completed the acquisition of certain property interests located in Shenzhen, the PRC, from a fellow subsidiary at a consideration of HK$578 million.

(vii) As at 30 June 2013, the Group placed deposits of HK$938 million (31 December 2012: HK$1,841 million) with and has outstanding bank loans of HK$136 million (31 December 2012: HK$151 million) from China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the period, interest income from and interest expense paid and payable to CMB amounted to HK$17 million (six months ended 30 June 2012: HK$15 million) and HK$2 million (six months ended 30 June 2012: HK$27 million) respectively.

The balances with entities within CMG Group as at 30 June 2013 and 31 December 2012 are disclosed in notes 16, 18 and 20 to this condensed consolidated interim financial information.

(b) Transactions with other state-controlled entities

The Group has transactions with other PRC state-controlled entities including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings.

(c) Key management compensation

	Six months ended 30 June	
	2013	2012
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**12**	12

24. Event After the Reporting Period

During the period, the Group entered into a shareholders' agreement with three joint venture partners for the establishment of an entity in the PRC, which is principally engaged in management and operations of an iron ore terminal in Qingdao, the PRC. The Group's initial investment is RMB350 million and for 25% interests in the relevant project.

Up to the date this condensed consolidated interim financial information was authorised for issuance, this transaction has not yet been completed.

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