



招商局港口控股有限公司

CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

Stock Code 股份代號 : 00144

WE CONNECT THE WORLD

Interim Report 中期報告 2021

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United States 美國

Jamaica 牙買加

Brazil 巴西

Morocco 摩洛哥

France 法國

Malta 馬爾他

Greece 希臘

Netherlands 荷蘭

Belgium 比利時

Togo 多哥

Nigeria 尼日利亞

Côte d'Ivoire 科特迪瓦

Asia and Oceania 亞洲及大洋洲



Colombo, Sri Lanka

斯里蘭卡，科倫坡

Colombo International Container Terminals

Hambantota, Sri Lanka

斯里蘭卡，漢班托塔

Hambantota International Port Group

Singapore

新加坡

CMA CGM-PSA Lion Terminal

Busan, South Korea

南韓，釜山

Busan New Container Terminal

Ho Chi Minh City, Vietnam

越南，胡志明市

Vietnam International Container Terminals

Laem Chabang, Thailand

泰國，林查班

Laem Chabang International Terminal

Umm Qasr, Iraq

伊拉克，烏姆蓋薩爾

Umm Qasr Terminal

Newcastle, Australia

澳大利亞，紐卡斯爾

Port of Newcastle



Hambantota, Sri Lanka

斯里蘭卡，漢班托塔

Hambantota Port Industrial Park

Europe and Mediterranean Sea 歐洲及地中海



Casablanca, Morocco

摩洛哥，卡薩布蘭卡

Somaport

Tangier, Morocco

摩洛哥，丹吉爾

Eurogate Tanger

Marsaxlokk, Malta

馬爾他，馬沙斯洛克

Malta Freeport Terminals

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

Rotterdam, the Netherlands

荷蘭，鹿特丹

Rotterdam World Gateway

Thessaloniki, Greece

希臘，塞薩洛尼基

Thessaloniki Port Authority

Istanbul, Turkey

土耳其，伊斯坦布爾

Kumport

Odessa, Ukraine

烏克蘭，敖德薩

Odessa Terminal

Africa and Americas 非洲及美洲



Lomé, Togo

多哥，洛美

Lomé Container Terminal

Lagos, Nigeria

尼日利亞，拉各斯

Tin-Can Island 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

Paranaguá, Brazil

巴西，巴拉那瓜

Terminal de Contêineres de Paranaguá

Kingston, Jamaica

牙買加，金斯頓

Kingston Freeport Terminal

Miami, United States

美國，邁阿密

South Florida Container Terminal

Houston, United States

美國，侯斯頓

Terminal Link Texas



City of Djibouti, Djibouti

吉布提，吉布提市

Djibouti International Free Trade Zone

Ukraine 烏克蘭

Turkey 土耳其

Iraq 伊拉克

Djibouti 吉布提

Sri Lanka 斯里蘭卡

Singapore 新加坡

Thailand 泰國

Vietnam 越南

Shenzhen 深圳

Kaohsiung 高雄

Zhanjiang 湛江

Hong Kong 香港

Shunde 順德

Shantou 汕頭

Zhangzhou 漳州

Ningbo 寧波

Shanghai 上海

Qingdao 青島

Tianjin 天津

Dalian 大連

South Korea 南韓

CHINA
中國

Australia 澳大利亞

Mainland China, Hong Kong and Taiwan 中國內地，香港及台灣

Pearl River Delta 珠三角地區



Mega SCT
蛇口集裝箱碼頭

Chiwan Container Terminal
赤灣集裝箱碼頭

Mawan Container Terminal
媽灣集裝箱碼頭

China Merchants Port Services
招商港務

Shenzhen Haixing Harbour Development
深圳海星港口發展

China Merchants Container Services
招商局貨櫃服務

Modern Terminals
現代貨箱碼頭

Guangdong Yide Port
廣東頤德港口

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



China Merchants Bonded Logistics
招商局保稅物流

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 Zhoushan Port
寧波舟山港

South-East Region 東南地區



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

Zhangzhou China Merchants Port
漳州招商局碼頭

Xia Men Bay China Merchants Terminals
漳州招商局廈門灣港務

South-West Region 西南地區



Zhanjiang Port Group
湛江港集團

Kaohsiung, Taiwan 台灣，高雄



Kao Ming Container Terminal
高明貨櫃碼頭

Bohai Rim 環渤海地區



Dalian Port
大連港

Qingdao Qianwan United Container Terminal
青島前灣聯合集裝箱碼頭

Qingdao Qianwan West Port United Terminal
青島前灣西港聯合碼頭

Qingdao Port Dongjiakou Ore Terminal
青島港董家口礦石碼頭

Qingdao Port International
青島港國際

Tianjin Port Container Terminal
天津港集裝箱碼頭



China Merchants International Terminal (Qingdao)
招商局國際碼頭 (青島)

Tianjin Haitian Bonded Logistics
天津海天保稅物流



Ports 碼頭業務



Logistics 綜合物流業務



Corporate Information

BOARD OF DIRECTORS

Mr. Deng Renjie (*Chairman*)

Mr. Liu Weiwu

(appointed on 22 March 2021)

Mr. Su Jian

(resigned on 22 March 2021)

Mr. Xiong Xianliang

Mr. Wang Xiufeng (*Managing Director*)

(appointed on 26 August 2021)

Mr. Bai Jingtao (*Managing Director*)

(resigned on 26 August 2021)

Mr. Ge Lefu

(resigned on 26 August 2021)

Mr. Wang Zhixian

Mr. Zheng Shaoping

(resigned on 10 August 2021)

Mr. Kut Ying Hay*

Mr. Lee Yip Wah Peter*

Mr. Li Ka Fai David*

Mr. Bong Shu Ying Francis*

* *independent non-executive director*

REGISTERED OFFICE

38th Floor, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

Bank of China

China Development Bank

China Construction Bank

China Merchants Bank

DBS Bank Ltd.

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISER

Linklaters

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

WEBSITE

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

Financial Highlights

	For the six months ended 30 June		Year-on-year changes
	2021 HK\$'million	2020 HK\$'million	
Consolidated statement of profit or loss highlights			
Revenue	5,663	4,077	38.9%
Profit attributable to equity holders of the Company	4,711	1,546	204.7%
Non-recurrent gains, net of tax ¹	(181)	(137)	32.1%
Recurrent profit	4,530	1,409	221.5%
Earnings per share (HK cents)			
Basic	128.67	44.83	187.0%
Dividend per share (HK cents)			
Interim dividend	22.00	18.00	22.2%
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	4,237	1,823	132.4%

	30 June	31 December	Changes
	2021 HK\$'million	2020 HK\$'million	
Consolidated statement of financial position highlights			
Total assets	171,597	170,064	0.9%
Capital and reserves attributable to equity holders of the Company	91,186	87,889	3.8%
Net interest-bearing debts and lease liabilities ²	27,024	28,864	(6.4%)

	For the six months ended 30 June		Year-on-year changes
	2021 HK\$'million	2020 HK\$'million	
Revenue			
Ports operation	5,313	3,786	40.3%
Bonded logistics operation	246	212	16.0%
Other operations	104	79	31.6%
Total	5,663	4,077	38.9%
EBITDA³			
Ports operation	3,334	2,190	52.2%
Bonded logistics operation	131	103	27.2%
Other operations	60	36	66.7%
EBITDA	3,525	2,329	51.4%
Share of profits less losses of associates and joint ventures	4,206	1,599	163.0%
Non-recurrent (losses)/gains	(32)	418	(107.7%)
Corporate function	(127)	(105)	21.0%
Finance costs, net	(655)	(812)	(19.3%)
Taxation	(527)	(430)	22.6%
Depreciation and amortisation	(1,116)	(998)	11.8%
Non-controlling interests and owners of perpetual capital securities	(563)	(455)	23.7%
Profit attributable to equity holders of the Company	4,711	1,546	204.7%

1 For 2021, include gain on deemed disposal of a subsidiary, net of tax of HK\$16 million, gain on deemed disposal of partial interest in an associate, net of tax of HK\$450 million, increase in fair value of investment properties, net of tax of HK\$2 million, and net loss on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK\$287 million. For 2020, include gain on resumption of certain land parcels at Shantou, net of tax of HK\$277 million, increase in fair value of investment properties, net of tax of HK\$99 million, and net loss on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK\$239 million.

2 Total interest-bearing debts and lease liabilities less cash and bank balances.

3 Earnings of the Company and its subsidiaries before financial costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, non-recurrent (losses)/gains, corporate function, profit attributable to non-controlling interests and owners of perpetual capital securities.

Management Discussion and Analysis



GENERAL OVERVIEW

In the first half of 2021, with the continuous advancement of COVID-19 vaccination, the pandemic situation has eased. Despite the recurring pandemic situations in some European countries, United States and developing countries, the global economy has been out of the doldrums and continued to recover amidst fluctuations which was benefitted from the fiscal and monetary stimulus policies generally adopted by various countries and the resumption of industrial production and consumption activities. Among them, the production side was gradually approaching the level before the pandemic, and the consumption side was accelerating recovery, while the trade in commodity and services achieved stable and sustained growth. According to the “World Economic Outlook” report published by the International Monetary Fund (“IMF”) in July 2021, the global economy in 2021 was expected to grow by 6.0%, representing an increase of 9.2 percentage points year-on-year. Among that, developed economies were projected to grow by 5.6%, while emerging markets and developing economies to grow by 6.3%, up by 10.2 percentage points and 8.4 percentage points year-on-year, respectively. Besides, according to the forecast of the World Trade Organization in April 2021, global trade would increase by 8.0% in 2021 due to the economic recovery driven by vaccination acceleration.

Benefitted from the good results of pandemic prevention and control and the support of the “Six Stability”(六穩) and “Six Security”(六保) policies, China’s macro economy recovered steadily and tended to be balanced in the first half of 2021. According to the National Bureau of Statistics of China, China’s GDP was RMB53.22 trillion in the first half of 2021, up by 12.7% year-on-year at comparable prices. On the other hand, derived from the recovery of the global economy in the first half of 2021, China’s monthly import and export had achieved year-on-year growth for 13

consecutive months, further consolidating the steady growth of foreign trade. According to the statistics published by the General Administration of Customs of China, the total value of foreign trade of import and export of China amounted to RMB18.07 trillion in the first half of 2021, representing a year-on-year increase of 27.1%, among which the export value was RMB9.85 trillion, up by 28.1% year-on-year, and the import value was RMB8.22 trillion, up by 25.9% year-on-year. The trade surplus was RMB1.63 trillion.

Since 2021, with the widespread of vaccination against COVID-19, pandemic prevention and control in United States and European countries have been steadily improving, and the demand for global trade in goods has rebounded, and the demand in the maritime market has been increasing. However, while export demand continued to increase, the backflow of empty containers boxes from European and American ports was slow due to the impact of the pandemic, coupled with the “black swan events” such as the Suez Canal blockage and coronavirus outbreak at Yantian Port, resulting in ship delay, port congestion, routes adjustments, etc. from time to time. The distribution of containers was partially unbalanced, and the effective shipping capacity continued to decline, and the freight rate in the international market kept rising. As the global trade steadily recovered, the overall performance of the port industry was in good business condition, and throughput volume and berth utilization rate continued to move up. The imbalance of global demand and supply in the first half of 2021 led to strong growth in China’s export. The container throughput of China’s major ports showed a rapid growth trend. According to the data published by the Ministry of Transport of China, the accumulated container throughput handled by Chinese ports reached 138.18 million TEUs in the first half of 2021, representing an increase of 15.0% year-on-year, of which, 121.98 million TEUs were handled by coastal ports, representing a year-on-year increase of 14.0%.

Management Discussion and Analysis

During the first half of 2021, the Group's ports handled a total container throughput of 66.51 million TEUs, up by 21.2% as compared with the corresponding period last year, and bulk cargo volume of 284 million tonnes, up by 42.8% over the same period of the previous year. For the six months ended 30 June 2021, the Group's revenue amounted to HK\$5,663 million, representing a year-on-year increase of 38.9%. Profits attributable to equity holders of the Company amounted to HK\$4,711 million, representing a year-on-year increase of 204.7%.

BUSINESS REVIEW

Ports operation

In the first half of 2021, the Group's ports handled a total container throughput of 66.51 million TEUs, up by 21.2% year-on-year. Among which, the Group's ports in Mainland

China, Hong Kong and Taiwan contributed an aggregate container throughput of 49.87 million TEUs, representing an increase of 17.0% year-on-year, which was mainly benefitted from the positive trend of the gradual recovery of economy. The Group's overseas ports handled a total container throughput of 16.63 million TEUs, representing an increase of 35.9% year-on-year, which was mainly contributed from the additional throughput of the eight terminals acquired by Terminal Link SAS ("**Terminal Link**") since 26 March 2020 and the growth in throughput volume of controlled overseas terminals of the Group, including Colombo International Container Terminal Limited ("**CICT**") in Sri Lanka, Lomé Container Terminal S.A. ("**LCT**") in Togo and TCP Participações S.A. ("**TCP**") in Brazil. Bulk cargo volume handled by the Group's ports increased by 42.8% year-on-year to 284 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 281 million tonnes, representing an increase of 43.2% year-on-year.

The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2021 is as below:

Container Terminals	For the six months ended 30 June		Year-on-year Changes
	2021 thousand TEUs	2020 thousand TEUs	
Mainland China, Hong Kong and Taiwan	49,873	42,629	17.0%
Pearl River Delta region	9,372	7,843	19.5%
West Shenzhen Port Zone	5,786	4,557	27.0%
China Merchants Container Services Limited and Modern Terminals Limited	2,817	2,630	7.1%
Chu Kong River Trade Terminal Co., Limited	547	481	13.7%
Guangdong Yide Port Limited	222	175	26.9%
Yangtze River Delta region	24,636	21,538	14.4%
Shanghai International Port (Group) Co., Ltd.	22,939	20,063	14.3%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	1,697	1,475	15.1%
Bohai Rim region	13,295	11,081	20.0%
Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited)	4,645	3,601	29.0%
Qingdao Qianwan United Container Terminal Co., Ltd.	4,184	3,810	9.8%
Tianjin Port Container Terminal Co., Ltd.	4,466	3,670	21.7%
Others	2,570	2,167	18.6%
Shantou China Merchants Port Group Co., Ltd.	923	622	48.4%
Zhangzhou China Merchants Port Co., Ltd.	119	158	(24.7%)
Zhanjiang Port (Group) Co., Ltd.	578	606	(4.6%)
Kao Ming Container Terminal Corp.	950	781	21.6%
Other locations	16,632	12,239	35.9%
Colombo International Container Terminals Limited	1,501	1,375	9.2%
Lomé Container Terminal S.A.	732	605	21.0%
Tin-Can Island Container Terminal Ltd.	147	160	(8.1%)
Port de Djibouti S.A.	351	421	(16.6%)
TCP Participações S.A.	539	475	13.5%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	618	602	2.7%
Terminal Link SAS	12,744	8,601	48.2%
Total	66,505	54,868	21.2%

Management Discussion and Analysis

Pearl River Delta region

The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 5.79 million TEUs, up by 27.0% year-on-year, which was driven by newly added shipping routes in Asia and North America, and the Group actively strived for overtime vessels to realize throughput growth. Bulk cargo volume reached 4.10 million tonnes, up by 7.0% year-on-year, which was mainly due to significant increase in foreign trade volume of feed grain. Guangdong Yide Port Limited handled a container throughput of 0.22 million TEUs, up by 26.9% year-on-year, which was mainly benefitted from the resumption of orderly production of local enterprises, and year-on-year increase in foreign trade volume; and handled a bulk cargo volume of 2.60 million tonnes, up by 68.5% year-on-year, which was mainly benefitted from the major customers strategy and continuous optimization of customers and cargos types structure. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 0.55 million TEUs and a bulk cargo volume of 1.42 million tonnes, up by 13.7% and 16.6% year-on-year respectively, mainly because certain international shipping routes were resumed due to the ease of the pandemic. China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 2.82 million TEUs, up by 7.1% year-on-year.

Yangtze River Delta region

Benefitted from the growth of import and export trade driven by the steady recovery of the global economy, Shanghai International Port (Group) Co., Ltd. handled a container throughput of 22.94 million TEUs, up by 14.3% year-on-year. Bulk cargo volume increased by 28.5% year-on-year to 44.64 million tonnes. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.70 million TEUs, representing an increase of 15.1% year-on-year, which was mainly benefitted from the six newly added shipping routes and actively striving for overtime vessels, resulting in a throughput growth of domestic and international container volumes.

Bohai Rim region

In February 2021, Liaoning Port Company Limited ("**Liaoning Port**") (formerly known as "Dalian Port (PDA) Company Limited") successfully completed the merger with Yingkou Port Liability Co., Ltd. Liaoning Port handled a container throughput of 4.65 million TEUs in the first half of 2021, up by 29.0% year-on-year; and its bulk cargo volume handled was 129.73 million tonnes, up by 90.9% year-on-year. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 4.18 million TEUs, representing an increase of 9.8% year-on-year, which was mainly benefitted from an increase in international transshipment containers and domestic containers. Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 9.16 million tonnes, representing an increase of 16.3% year-on-year, which was mainly attributable to reinforced cooperation with major customers and increase in major cargo types such as pulp. Thanked to the increase in demand for the iron ore in the region, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 33.73 million tonnes, indicating an increase of 11.0% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 4.47 million TEUs, representing an increase of 21.7% year-on-year, which was mainly attributable to the increase in domestic throughput brought by deepening cooperation with major customers.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.92 million TEUs, up by 48.4% year-on-year, which was mainly contributed by the expansion of both domestic and international shipping routes; and a bulk cargo volume of 1.62 million tonnes, up by 1.1% year-on-year. Zhangzhou China Merchants Port Co., Ltd., located in the Xiamen Bay Economic Zone, handled a container throughput of 0.12 million TEUs, decreased by 24.7% year-on-year as affected by the pandemic, while its bulk cargo volume increased by 71.2% year-on-year to 4.31 million tonnes, mainly due to the growing customer demand in the hinterland, leading to an increase in import cargos. Xia Men



Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 2.39 million tonnes, up by approximately 23 times year-on-year, which was mainly attributable to the growth in domestic business of sandstone driven by the increase in customer demand.

[South-West region of Mainland China](#)

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.58 million TEUs, down by 4.6% year-on-year, mainly due to the decrease in the volume of domestic boxes affected by the reduction of shipping routes. It also handled a bulk cargo volume of 47 million tonnes, up by 6.2% year-on-year.

[Taiwan](#)

Kao Ming Container Terminal Corp. in Kaohsiung (“**KMCT**”), Taiwan handled a total container throughput of 0.95 million TEUs, representing an increase of 21.6% year-on-year, which was mainly caused by ports in the United States and European countries suffered from port congestion due to the pandemic, with some front-loading stevedoring activities in KMCT.

[Overseas operation](#)

During the first half of 2021, a total container throughput handled by the Group’s overseas projects increased by 35.9% year-on-year to 16.63 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 1.50 million TEUs, up by 9.2% year-on-year, which was mainly benefitted from the increase in transshipment container volume. Hambantota International Port Group (Private) Limited (“**HIPG**”) handled a bulk cargo volume of 0.79 million tonnes, increased by 338.1% year-on-year, which was mainly due to the continuous growth in the cement business volume since the second half of 2020, and its RORO terminal handled 0.281 million vehicles, up by 56.2% year-on-year, which was mainly attributable to the growth in vehicles transshipment business. Benefitted from the increase in local imported container volume driven by the resumption of work and production of the enterprises in Brazil in the first half of the year, TCP in Brazil handled a container throughput of 0.54 million TEUs, up by 13.5% year-on-year. Container throughput handled by LCT in Togo increased by 21.0% year-on-year to 0.73 million TEUs, which was mainly attributable to the stable

Management Discussion and Analysis

growth in container volume from major customers. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.15 million TEUs, representing a decrease of 8.1% year-on-year. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.35 million TEUs, down by 16.6% year-on-year, and a bulk cargo volume of 2.60 million tonnes, down by 8.9% year-on-year, mainly because this region was hit by impact of the pandemic, resulting in weak economic growth in the hinterland. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.62 million TEUs, representing an increase of 2.7% year-on-year; while bulk cargo volume handled was 0.08 million tonnes, up by 277.3% year-on-year, which was mainly due to growing local export demand. Terminal Link handled a container throughput of 12.74 million TEUs, up by 48.2% year-on-year, which was contributed from the additional container throughput handled by eight newly acquired terminals, of which the acquisition was completed in March 2020, as well as the outstanding performance of its terminals located in European countries.

Strategic deployments in the ports operation

In the first half of 2021, by continuing to adhere to the general tone of making progress while remaining stable, embarking on a new development stage, being committed to a new development philosophy, building a new pattern of development and fully promoting high-quality development, the Group has achieved the following operating results and strived for breakthroughs in seven key aspects, namely the development of homebase port, overseas business, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce.

In the first half of 2021, there are three highlights on the Group's business operation. First of all, the overall operation of the Group, both containers and bulk cargos, has recorded a significant increase. With the overall positive prospect of the port industry, the Group's West Shenzhen homebase port, as the important pillar for the port logistics industry in South China, has unremittingly established the Southeast Asian shipping routes regional center, covering Southeast

Coastal and Southwest Coastal regions. Secondly, the Group has always highly concerned with pandemic prevention and control, and emphasized that it is important to "attach great importance, require high standards, implement efficiently, make constant efforts, prepare for emergency situations, enhance pandemic prevention plans, optimize pandemic prevention processes, refine pandemic prevention measures, maintain vigilance to make sure everything is on the safe side" in respect of pandemic prevention and control. The Group also responded actively to the recurring pandemic situation in the first half of the year and ensured normal port operations while handling the pandemic prevention and control properly, which reflected the strengths at operation management level. Thirdly, Mawan Smart Port under the Group, which was officially put into operation in late June 2021, with the harbour area of 983,600 sq.m. and the quay length of 1,930 metres, has five berths in total, including two newly built 200,000-ton capacity berths specialized for container vessels, and its capacity represents the largest in South China. Those two berths are able to accept the world's largest container vessels, with a designed annual handling capacity of 3 million TEUs, being a model for upgrade of traditional terminals in both domestic and overseas market. As compared with the traditional ports, Mawan Smart Port has significantly increased its operation efficiency. Its workforce decreased by 80%; comprehensive operational efficiency increased by 30%; potential safety risks reduced by 50%; carbon emissions reduced by 90%, and customs clearance efficiency increased over 30%. Meanwhile, the construction cost of transformation to an automated terminal reduced by 50% compared with a newly-built terminal, achieving considerable economic benefits. Mawan Smart Port is expected to have a positive impact on stabilizing the logistics supply chain in South China, and will further enhance the regional competitiveness and influence of the West Shenzhen Port Zone thereby contributing to building "world-class leading ports".

As for the development of homebase ports, the Group adhered to the strategic objective of "building world-class leading ports", further enhanced the comprehensive competitiveness of the West Shenzhen homebase port as a world-class leading port, and strengthened the

overseas homebase port Sri Lanka's leading position of the hub in South Asia, so as to advance the development of leading ports. For the West Shenzhen Port Zone, it has comprehensively enhanced the overall competitiveness by improving customer service quality, expanding ancillary and value-added services, enhancing the foundation of the management, and optimizing resources allocation. In the first half of 2021, Mawan Smart Port was officially put into operation, which tremendously enhanced the core competitiveness of the West Shenzhen Port Zone. In addition, the Group accelerated the development of the coordinated ports in the Guangdong-Hong Kong-Macao Greater Bay Area and promoted the official launch of the "Shenzhen Shekou-Shunde Beijiao Coordinated Port" project in the first half of the year, which further expanded the coordinated port locations. The Group further strengthened in-depth communication with shipping companies to ensure routes stability. For the West Shenzhen homebase port, it will continuously foster the construction of infrastructure projects and the cargo transportation and logistics system in order to improve efficiency in customs clearance and further enhance the capability of cargo transportation and logistics. For the overseas home port, the Group continuously integrated the operation and management of HIPG and CICT, and promoted the coordinated development of these two ports as well as the comprehensive development of major projects, thereby comprehensively improving regional competitiveness and influence.

Regarding overseas business, the Group kept abreast of changes in the economy and trade environment and implemented targeted investments in key regions. The Group also strengthened the function of Terminal Link as the regional investment development platform, and optimized the development of the overseas project management and control system, as well as the overseas project management policy. Meanwhile, it promoted the quality and efficiency improvement of overseas terminals, the Group comprehensively deepened business collaboration with internal resources and strategic partners, and further integrated the resources of the port industry chain, value chain, logistics chain and innovation chain.

In terms of innovative development, the Group actively promoted the revision and improvement of digitalisation planning, combined with the direction of industry technology development, continuously diversified and improved the research and development of the "CMCore" series products, which would be actively promoted to various domestic and overseas port operators. The Group further promoted the implementation of nine major intelligent elements in the Mawan Smart Port construction project, namely "CM ePort", "CMCore", automation technology, intelligent customs, the application of 5G network, blockchain, Beidou system, artificial intelligence application, and green and low-carbon, and fully promoted the construction of Mawan Smart Port. In terms of the integration of industry and finance, the Group will focus on the port-industry ecosystem to promote technological innovation and transformation.

With respect to comprehensive development, the Group was committed to improving the global network layout and business synergies in overseas projects, and deepened the implementation of "Port-Park-City" model in overseas regions. In the first half of 2021, under the adverse impact of the continuous spread of the pandemic, the promotion activities of induction of business and investment in overseas logistic parks continued to be steadily progressed, the number of contracted enterprises in the HIPG industrial zone and Djibouti International Free Trade Zone reached 27 and 162 respectively. The comprehensive development has been making sound progress.

In respect of operation management, the Group continued to uphold its strategy, following the direction of "empowerment, professionalism and value". The group developed with five core elements, namely "management standard, teams of experts, closed-loop procedure, information system and benchmarking enhancement", so as to establish an operation management system with sustainable value creation. The Group continuously deepened refined management, linked the improvement of quality and efficiency with performance appraisal, and greatly integrated the improvement of quality and efficiency with strategic goals. The subsystem of the lifecycle asset management system has been put into trial operation to further optimize the overall management system. The Group improved the various management

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mechanisms and systems to enhance the overall management level, promoted the construction of a risk management information platform, and improved the internal control system continuously with optimizing risk preference indicators to complete overseas risk quantitative management reports and establish risk warnings to enhance risks control level.

In respect of capital operation, the Group continued to promote the normalisation of capital operation, centred on revitalising the existing assets and optimising asset structure to advance the transformation of “asset-heavy to asset-light” and “quantity to quality”. The Group optimised the

capital structure of the existing assets and promoted asset-light operation projects to advance the transformation from “asset-heavy to asset-light”. Meanwhile, the Group continued to enhance the function of the financial sharing center, and explored the construction of a global financial centre of the Group in order to facilitate the transformation of “quantity to quality”.

As for marketing and commerce, the Group kept cooperating with major shipping companies to improve the port conditions and ensure routes stability. The Group adhered to customer-orientation and aimed to meet customer needs.



Leveraged on the substantial improvement of capacity and port conditions from the commencement of operation in new berths at Mawan Smart Port and all-weather navigation of the 200,000-ton waterway channel, the Group strengthened its marketing and business promotion in the West Shenzhen Port Zone. In the first half of 2021, some new shipping routes such as North America line, Asia line and India line were newly added, and further strengthened the Group's in-depth cooperation with major shipping companies. The Group put more efforts to maintain the existing routes and expand new routes, in order to increase market share in South China.

Bonded logistics operation

In the first half of 2021, the Group's bonded logistics business continued to pursue the development direction of diversifying integrated services, enhanced the utilisation rate of resources at the existing warehouses and yards so as to respond to market changes and the unstable situation under the pandemic. The average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen was 96%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. fully utilised its resources to develop the self-operated business and the average utilisation rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 84% of its warehouses. In Djibouti International Free Trade Zone, the average utilisation rate of the bonded warehouse, which the Group invested in, was 97%, and for the wholly-owned bonded warehouse of the Group, it recorded an average utilisation rate of 58%.

In the first half of 2021, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.99 million tonnes, up by 12.4% year-on-year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.42 million tonnes, representing an increase of 16.7% year-on-year and a market share of 20.9%, up by 0.8 percentage point as compared with the corresponding period last year.



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FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group's revenue recorded HK\$5,663 million, up by 38.9% year-on-year, which was mainly due to the high business volume of ports operation. Profits attributable to equity holders of the Company amounted to HK\$4,711 million, representing an increase of 204.7% year-on-year, which included a gain of HK\$450 million (net of tax) on deemed disposal of partial interest in an associate during the period, while the amount for the same period last year included a net gain of HK\$277 million (net of tax) on resumption of certain land parcels at Shantou. The recurrent profit ^{Note 1} increased by 221.5% year-on-year to HK\$4,530 million, which was due to the increase in revenue and increase in share of profits of associates.

Total assets of the Group slightly increased by 0.9% from HK\$170,064 million as at 31 December 2020 to HK\$171,597 million as at 30 June 2021. The total liabilities of the Group decreased by 4.0% from HK\$56,429 million as at 31 December 2020 to HK\$54,176 million as at 30 June 2021 due to repayment of bank loans. As at 30 June 2021, net assets attributable to equity holders of the Company was HK\$91,186 million, up by 3.8% as compared to that as at 31 December 2020. This was mainly attributed to the increase in profits attributable to equity holders of the Company.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar or Brazilian Real and any exchange difference so arising from retranslation of these financial statements has been recognised in the reserve of the Group. The Group has developed a sound foreign exchange rate risk management mechanism to prevent the impact arising from foreign exchange rate fluctuation on the Group, and thus maintaining foreign exchange risk at a manageable level.

In general, the Group's ports operation continued to yield stable cash inflow. For the six months ended 30 June 2021,

the Group's net cash inflow from operating activities was HK\$4,237 million, an increase of 132.4% as compared with the corresponding period of last year, among which, the receipt of cash dividends from associates and joint ventures were HK\$1,768 million, an increase of 564.7% as compared with the corresponding period of last year. Due to the capital expenditure on business acquisitions decreased significantly as compared to the same period last year, the Group's net cash outflow from investment activities decreased from HK\$7,654 million to HK\$1,597 million. At the same time, as a result of the significant increase in repayment of bank loans as compared to the same period last year, the Group's cash flow from financing activities significantly decreased from a net inflow of HK\$3,861 million for the same period last year to a net outflow of HK\$6,183 million for the current period.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2021, the Group had approximately HK\$8,086 million in cash and bank balances, 2.1% of which was denominated in Hong Kong dollar, 12.4% in United States dollar, 65.2% in Renminbi, 13.9% in Euro, 6.2% in Brazilian Real and 0.2% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK\$4,237 million in total.

During the period, the Group incurred capital expenditure amounting to HK\$841 million, while the Group adopted a prudent financial policy and maintained a sound financial position. In addition, as a significant portion of the Group's bank loans were medium-term to long-term loans, the Group, supported by adequate undrawn bilateral bank facilities of HK\$27,459 million, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Note 1 Profits attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for the first half of 2021, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties, gain on deemed disposal of a subsidiary and gain on deemed disposal of partial interest in an associate; while for the first half of 2020, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties and net gain on resumption of certain land parcels at Shantou.

SHARE CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2021, the Company had 3,661,088,416 shares in issue. In July 2021, the Company issued 82,054,406 shares under the Company's scrip dividend scheme.

As at 30 June 2021, the Group's net gearing ratio^{Note2} was approximately 23.0%.

The Group had aggregate bank loans, listed notes payable and perpetual capital securities of HK\$30,259 million as at 30 June 2021 that contain customary cross default provisions.

As at 30 June 2021, the Group's outstanding interest-bearing loans and notes are analysed as below:

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	2,578	6,916
Between 1 and 2 years	1,115	1,123
Between 2 and 5 years	3,320	3,793
More than 5 years	1,047	987
	8,060	12,819
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	60	772
Between 2 and 5 years	803	796
More than 5 years	34	30
	897	1,598

Note 2 Net interest-bearing debts and lease liabilities divided by total equity.

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As at 30 June 2021, the Group's outstanding interest-bearing loans and notes are analysed as below: (continued)

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Floating-rate listed notes payable which are repayable:		
In 2021	192	182
In 2022	470	439
	662	621
Fixed-rate listed notes payable which are repayable:		
In 2022	3,876	3,865
In 2023	6,962	6,944
In 2025	3,870	3,863
In 2028	4,610	4,602
	19,318	19,274
Fixed-rate unlisted notes payable which are repayable:		
In 2022	2,995	2,971
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	113	148
Between 2 and 5 years	236	152
More than 5 years	164	155
	513	455
Loan from immediate holding company		
Repayable within 1 year	1,200	934
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	516	520

Note: All loans are unsecured except for the secured bank loans of HK\$2,664 million (31 December 2020: HK\$2,941 million).

The interest-bearing loans and notes are denominated in the following currencies:

	Bank loans HK\$'million	Notes payable HK\$'million	Loans from a fellow subsidiary HK\$'million	Loan from immediate holding company HK\$'million	Loan from a non- controlling equity holder of a subsidiary HK\$'million	Total HK\$'million
As at 30 June 2021						
HKD & USD	3,853	19,318	—	—	—	23,171
RMB	3,829	2,995	513	1,200	—	8,537
EURO	986	—	—	—	516	1,502
Brazilian Real	289	662	—	—	—	951
	8,957	22,975	513	1,200	516	34,161
As at 31 December 2020						
HKD & USD	7,645	19,274	—	—	—	26,919
RMB	5,082	2,971	455	934	—	9,442
EURO	1,191	—	—	—	520	1,711
Brazilian Real	499	621	—	—	—	1,120
	14,417	22,866	455	934	520	39,192

ASSETS CHARGE

As at 30 June 2021, bank loans of HK\$617 million (31 December 2020: HK\$536 million) borrowed by subsidiaries of the Group were secured by property, plant and equipment with carrying value of HK\$456 million (31 December 2020: HK\$458 million) and right-of-use assets with carrying value of HK\$229 million (31 December 2020: HK\$230 million). In addition, the entire shareholdings in two subsidiaries owned by the Group were pledged to various banks for bank loans of HK\$2,047 million (31 December 2020: HK\$2,405 million).

CONTINGENT LIABILITIES

Save as disclosed in note 20 to the condensed consolidated interim financial information in this interim report, the Group did not have any other significant contingent liabilities as at 30 June 2021.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this interim report, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the period of review.

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FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Save as disclosed in this interim report, the Group did not have any other plans for material investments or acquisition of capital assets as at 30 June 2021.

EMPLOYEES AND REMUNERATION

As at 30 June 2021, the Group employed 8,309 fulltime staff, of which 189 worked in Hong Kong, 5,460 worked in Mainland China, and the remaining 2,660 worked overseas. The remuneration paid by the Group during the period amounted to HK\$1,032 million, representing 27.9% of the total operating expenses of the Group.

In the first half of 2021, the Group adhered to market orientation, combined with market remuneration trends, and reviewed the existing remuneration strategy in a timely manner to ensure market competitiveness. The Group continued to optimise the remuneration incentive mechanism via improving the performance evaluation system and incentive mechanism, and released the performance appraisal system and strategic appraisal salary incentive plan for senior management, strengthened the link between appraisal results and performance-based pay in order to stimulate the potential and creativity of employees and further improved the efficiency of resource allocation. At the same time, relying on the establishment of a smart human resources system (HRMax) platform, the Group achieved the projectization of performance goals, the digitization of employees' work behaviors and the visualization of their ability performance to ensure the accomplishment of annual goals at every level and down to the level of each employee. The system also achieved real-time tracking and strengthened the key function of the performance results in the incentive system.

The Group continued to optimise the employment and promotion mechanism. The Group has formulated relevant regulations and measures, and published management systems to focus on the cultivation of talents and intensified selection and training via launching special centralised training, benchmark learning, continuing education, project

practice, front-line training, exchanges and appointments, and secondment for getting experience and mentor system, etc. This coordinated training model with multi-level, multi-channel, multi-form features helped the Group achieve the improvement of operating efficiency.

In the first half of 2021, under the unstable global pandemic situation, the Group always put employees' health and safety in the first place. The Group adhered to its work principle of setting up a system, strengthening processes, emphasising management and improving services, and continuously took employees' health management in both physical and mental aspects into serious consideration. The Group provided comprehensive measures to protect the health of employees and their families, including organisation of physical examinations, distribution of pandemic prevention supplies, conduction of health lectures, and provision of online medical service with expert team through health management platform and formulation of family doctors for employees.

CORPORATE SOCIAL RESPONSIBILITY

The Group values and actively takes up corporate social responsibilities. While improving its operating results and generating returns for shareholders, the Group also effectively fulfills its social responsibilities towards its employees, the society and the environment to facilitate sustainable development of the business and society.

The Group has committed to the objective of building an enterprise of ecological green ports that strictly abided by relevant environmental protection laws and regulations. The Group aims to improve corporate environmental protection systems and formulate relevant governance systems during the reporting period to implement environmental protection responsibilities, and further promote the effective implementation of energy conservation and environmental protection management. The Group identified and responded to risks brought by climate change, and attached great importance to the prevention of typhoons, and actively responded to the impact of climate change. The Group also actively responded to the "carbon peak" and "carbon neutral" national strategies, and actively participated in the construction of dual-carbon demonstration projects and carbon verification and compliance.

The Group firmly established the concept of green development, and actively promoted energy-saving technology reform and green and low-carbon technologies to continuously improve operation and energy efficiency. By constructing green and low-carbon ports, the Group strived to contribute to global climate governance. The Group strictly abided by the environmental protection standards of countries and regions in the world and implemented the idea of “managing production must manage environmental protection” to strengthen environmental protection governance and improve hardware capabilities of environmental protection and pollution prevention via strengthening on-site control and daily environmental protection inspections. The Group adopted energy-saving technical reformation policy combining the independent reformation and assistance from external professional energy-saving institutions, and continued to promote new energy-saving technologies and products such as “Shore-Powered Supply for Vessels (船舶岸基供電)”, “Substitution of Fuel Powered Equipment with Electricity-Powered Equipment (油改電)”, “Engine Upgrade Replacement (發動機升級置換)” and “Belt Conveyor Reformation (皮帶輸送機改造)”, as well as “hydrogen” fuel trailers test in order to effectively improve energy efficiency and green shipping development. By adhering to the implementation of national and local energy-saving policies, the Group eliminated outdated storage facilities without using inefficient obsolete equipment, and applied international advanced technology to transform current technical equipment in operation to improve the overall technical equipment level.

The Group adhered to the concept of integration with win-win, giving importance to the mutual support and trust among communities. The Group was committed to giving back to the society through participation in infrastructure construction, talent education, medical assistance and other public welfare projects. During the pandemic, the Group continued to assist the impoverished communities with care for their needs to fight for the pandemic. The construction of “Hope Village” community activity center in Sri Lanka has been basically completed by CICT. The second “Hope Village” project jointly developed by CICT and HIPG in Hambantota District, Sri Lanka was launched in April 2021. The Group also donated funds to Sri Lanka to build COVID-19 isolation centre, and donated containers to a hospital in Gampaha

District, Western Province, Sri Lanka for transforming to nucleic acid testing laboratories. Simultaneously, the Group donated pandemic prevention supplies and equipment to a hospital in Hambantota, and donated funds to Hambantota Education Bureau and the hospital. In addition, Djibouti project also donated living materials to local poor families.

In the first half of 2021, the Group further developed the “Shaping Blue Dreams Together (C-Blue)” charity brand. The C-Blue volunteer team carried out works regarding left-behind children and rural poverty. In the first half of 2021, the Group successfully hosted the meaningful six days and five nights students development camp named “Growing with Love and Companion of CMPort” (招有愛 伴成長) for 100 teachers and students in Weining County, Guizhou Province to deliver warmth and care across mountains and seas to accompany the healthy growing up of Weining students.

FUTURE PROSPECTS

Looking forward into the second half of 2021, the global economy will tend to faster recovery alongside the vaccination progress advanced. The impact of the pandemic in developed countries will be weakened and the production and life become further normalized. As the overall economy is at a stage of recovery and growth, the global economy is expected to continue to pick up in the second half of the year. However, uncertainties still exist in global economy and trade due to variant virus and vaccination progress. In addition, risks including global economic and trade frictions, inflationary crisis caused by the loose monetary policy, structural imbalances, rising commodity prices, and changes in the financing environment will all pose challenges to the global economic recovery. The IMF predicted the global economy to grow by 6.0% in 2021, representing an increase of 9.2 percentage points as compared to that of 2020. In particular, the developed economies will grow at 5.6%, up 10.2 percentage points as compared to that of 2020; and the emerging markets and developing economies will grow at 6.3%, up 8.4 percentage points as compared to that of 2020. Global trade volume (including goods and services) will grow by 9.7%, up 18 percentage points as compared to that of 2020.

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In the second half of 2021, China will foster the construction of the new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay, whereby it will accelerate the recovery of domestic demand and continue to provide policy support for the recovery of consumption and investment in manufacturing sector. In terms of exports, the pandemic situation in major overseas economies is expected to be further eased in the second half of 2021, and overseas supply chains will also be repaired, which will, to a certain extent, weaken China's position of substitution in production. As a result, China's export growth rate in the second half of 2021 is expected to experience a gradual marginal slow down, but export will maintain a strong support for the economy throughout the year. Overall, the domestic economy is expected to continue the steady recovery. The IMF predicts in its "World Economic Outlook" released in July 2021 that China's economy will grow by 8.1% in 2021, and will remain its leading role in the global economic recovery.

In the second half of 2021, the gradual recovery of the global economy will have a positive impact on the development of global trade. It is expected that the demand for container shipping will increase accordingly. According to the second quarter report released by Clarkson Research, the global container transportation volume is expected to grow by about 6.0% to reach 206 million TEUs in 2021.

Based on the above analysis and judgements, in the second half of 2021, the Group will continue to adhere to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes". In the context of a new development stage, the Group will strive to realise its strategic goal of becoming a "world-class comprehensive port service provider" by 2022 via implementing the new development concept, building a new development pattern, and improving digitalisation, marketisation, internationalisation, platformisation and refinement.

In terms of the construction of homebase ports, the West Shenzhen Port Zone will closely follow the strategic goal of being a strong transportation country. The Group will continuously improve service quality, keep infrastructure construction, continue to strengthen the construction of the blockchain platform for logistics and trade facilitation to improve competitiveness. In the second half of 2021, Mawan Smart Port will further deepen its integrated operation, and continue to optimise and adjust the unmanned trailer project, and form a smart port with the characteristics of the Group. In terms of overseas homebase ports, the Group will continue to improve the development plan of overseas homebase ports via deepening integrated operations, leverage the advantages of port area linkage via strengthening cooperation with shipping companies to build them into international shipping hubs in South Asia.



In respect of overseas business, the Group will continue to optimise its overseas presence. Through strengthening the position of Terminal Link as a regional investment platform, the Group will actively seek high-quality investment opportunities around the globe. Leveraging the regional influence of overseas terminals, the Group will strengthen regional market expansion, and continue to promote port-vicinity industry projects. Through improving overseas management systems to enhance the management efficiency for overseas projects, the Group will strive to strengthen the quality and efficiency of overseas terminals, and improve the income stream of overseas business.

Regarding comprehensive development, the Group will closely adapt to the changes in the global trade environment, and strengthen the construction of the whole supply chain system. Apart from improving quality of services to existing customers and increasing customer stickiness, the Group will actively seek overseas investment partners and enterprises to continuously advance the construction of key projects such as port-vicinity industrial parks, comprehensive parks, and free trade zones. The Group will also utilize new digital technology to seek breakthroughs in investment attraction and enhance the industrial agglomeration capacity and regional influence of the projects.

As for innovative development, the Group will focus on industrial transformation and upgrade driven by innovation and technology. Leveraging on the “Research Institute of CMPort for Technological Innovation and Development”, the Group will develop the CMPort’s ecosystem for technology and innovation, and generate innovative solutions with technology for ports to build the integrated platform for industry, education and research. Through “CMCore” platform, the Group will develop three major leading products for the industry, including Container Terminal Operation System (CTOS), Bulk Cargo Terminal Operation System (BTOS) and Logistic Park Operation System (LPOS), striving to intelligentise the operation within the terminals. The “CM ePort” platform will innovate the service models by improving the information service system and adopting the “Port + Internet” approach for the port, so as to explore and develop an open platform for intelligent ports.

In respect of capital operation, the Group constantly strives to optimise domestic and overseas asset structure to reduce investment risks. In line with the strategies of the Group and the directions of “innovation-driven endogenous growth” and “balanced development of businesses with light and heavy asset”, the Group will strive to improve capital operation plans, asset allocation and endogenous growth in order to enhance shareholder returns.

In terms of operation management, the Group will continue to take the world’s first-class standards as its benchmarks and improve the management system for various business lines to enhance overall operation and management. Focusing on the Group’s strategies, the Group will continue to strengthen management and control optimisation for improvement of management efficiency. The Group will promote the implementation and application of its management system on the entire lifecycle for its assets and strengthen the control over major projects. By building the smart operation management system to improve management standards for operations, the Group will develop a world-class operation and management system that sustainably creates value, as well as a value-oriented management headquarters.

With regard to marketing and commerce, the Group will maintain the cooperation with major shipping companies and strengthen interaction with end-customers in order to enhance the direct control and influence to the sources of cargos. Meanwhile, in line with China’s dual circulation model, the Group will further stabilise and develop the business in respect of the interconnected terminals in Northern and Southern China, and continue to expand new domestic and overseas shipping routes. The Group will enhance its core competitiveness in the regions and around the world via strengthening multi-dimensional cooperation within the industry.

In 2021, global economy and trade will face various challenges, including recurrence of COVID-19 pandemic, unstable political situations, and imbalance of regional recovery. However, as the accelerated vaccination process, the global economy and trade will gradually recover, which is expected to carry out opportunities for the steady growth

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of port operation in the second half of 2021. Meanwhile, the new digitalisation technology will also be a new driver for the Group to build world-class ports. The Group will proactively grasp the opportunities, and tap its potential through reform and innovation. Furthermore, the Group will constantly enhance its core capability and profitability to endeavor to maximise shareholders value as always and create value to benefit for all various stakeholders.

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK\$823 million for the six months ended 30 June 2021 (representing a dividend payout of 17.5%) by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend (or part thereof) in cash in lieu of such allotment (2020: scrip dividend of 18 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 November 2021 to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 4 October 2021 (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 8 October 2021. The Scrip

Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "HKSE") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 18 November 2021.

CLOSURE OF REGISTER

The Register of Members will be closed from 28 September 2021 to 4 October 2021 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 September 2021.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2021, the interests of the Directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and Share Options in the Company

Name of Director	Capacity	Nature of interest	Number of shares in the Company	Number of share options granted	Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2021
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	255,212	—	0.0070%

Shares and Share Options in the Company's association corporation - China Merchants Port Group Co., Ltd.

Name of Director	Capacity	Nature of interest	Number of shares held in the Company's associated corporation	Number of shares options granted	Percentage of aggregate long position in shares held to the issued shares of the Company's associated corporation as at 30 June 2021
Mr. Bai Jingtao ⁽²⁾	Beneficial owner	Personal interest	—	420,000 ⁽¹⁾	0.022%
Mr. Ge Lefu ⁽²⁾	Beneficial owner	Personal interest	—	350,000 ⁽¹⁾	0.018%
Mr. Wang Zhixian	Beneficial owner	Personal interest	—	170,000 ⁽¹⁾	0.009%
Mr. Zheng Shaoping ⁽²⁾	Beneficial owner	Personal interest	—	350,000 ⁽¹⁾	0.018%

Notes:

- As at 30 June 2021, the Company is a subsidiary of China Merchants Port Group Co., Ltd. ("**CMPG**") and accordingly, CMPG is an associated corporation of the Company. The interests in CMPG held by each Director are share options granted on 3 February 2020 under an employee incentive scheme of CMPG (the "**Employee Incentive Scheme**"), which are subject to the terms and conditions of the Employee Incentive Scheme. The share options may be exercised in batches from 3 February 2022 to 3 February 2027 in accordance with the exercise schedule under the Employee Incentive Scheme, conditional upon the satisfaction of certain performance targets specified thereunder. Details of the Employee Incentive Scheme were published on the information website of the Shenzhen Stock Exchange (<http://www.szse.cn/>). During the reporting period, none of these share options were exercised, lapsed or cancelled.
- Mr. Zheng Shaoping, Mr. Bai Jingtao and Mr. Ge Lefu resigned as executive directors on 10 August 2021, 26 August 2021 and 26 August 2021, respectively.

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2021, 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 Issuer

("Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the HKSE, to be notified to the Company and the HKSE.

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

SHARE OPTION SCHEME

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

Management Discussion and Analysis

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

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and ending on 8 December 2021. No

share options were outstanding, granted, exercised, lapsed or cancelled under the Share Option Scheme during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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 or as notified to the Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long Positions

Name of substantial shareholder	Capacity	Shares/ underlying Shares held	%
China Merchants Group Limited	Interest of Controlled Corporation	2,327,829,484 ^(1,2,3,4)	63.58%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,301,225,484 ⁽²⁾	62.86%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,301,225,484 ⁽²⁾	62.86%
Broadford Global Limited	Interest of Controlled Corporation	1,499,930,606 ⁽²⁾	40.97%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,499,930,606 ⁽²⁾	40.97%
China Merchants Port Investment Development Company Limited	Interest of Controlled Corporation	1,499,930,606 ⁽²⁾	40.97%
China Merchants Port Group Co., Ltd.	Beneficial Owner	1,499,930,606 ⁽²⁾	40.97%
China Merchants Union (BVI) Limited	Beneficial Owner	801,294,878 ⁽²⁾	21.89%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000 ⁽³⁾	0.08%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000 ⁽³⁾	0.08%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000 ⁽³⁾	0.08%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	23,604,000 ⁽⁴⁾	0.64%
Sinomarine Limited	Interest of Controlled Corporation	23,604,000 ⁽⁴⁾	0.64%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	23,604,000 ⁽⁴⁾	0.64%
Sinotrans Shipping Ltd.	Beneficial Owner	23,604,000 ⁽⁴⁾	0.64%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	801,294,878 ⁽⁵⁾	21.89%
Compass Investment Company Limited	Interest of Controlled Corporation	801,294,878 ⁽⁵⁾	21.89%
CNIC Corporation Limited	Interest of Controlled Corporation	801,294,878 ⁽⁵⁾	21.89%
Verise Holdings Company Limited	Interest of Controlled Corporation	801,294,878 ⁽⁵⁾	21.89%

Notes:

1. Each of China Merchants Steam Navigation Company Limited (“**CMSN**”), China Merchants Shekou Industrial Zone Holdings Co., Ltd. (“**CMSIZ**”) and Sinotrans & CSC Holdings Co., Ltd. (“**Sinotrans CSC**”) is a subsidiary of China Merchants Group Limited (“**CMG**”). CMG is deemed to be interested in 2,327,829,484 shares, which represents the aggregate of 2,301,225,484 shares deemed to be interested by CMSN (see Note 2 below), 3,000,000 shares deemed to be interested by CMSIZ (see Note 3 below) and 23,604,000 shares deemed to be interested by Sinotrans CSC (see Note 4 below).
2. CMHK is wholly-owned by CMSN, and Broadford Global Limited (“**Broadford**”) is in turn wholly-owned by CMHK. Rainbow Reflection Limited (“**Rainbow**”) is 74.66%-owned by Broadford and 25.34%-owned by China Merchants Union (BVI) Limited (“**CMU**”), which is in turn 50%-owned by CMHK. China Merchants Port Investment Development Company Limited formerly known as “China Merchants Investment Development Company Limited”, hereinafter referred to as (“**CMPID**”) is in turn wholly-owned by Rainbow. CMPG is 59.75%-owned by CMPID.

CMSN is deemed to be interested in 2,301,225,484 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 801,294,878 shares beneficially held by CMU and 1,499,930,606 shares beneficially held by CMPG.
3. Top Chief Company Limited (“**Top Chief**”) is wholly-owned by CMSIZ and Orienture Holdings Company Limited (“**Orienture**”) is in turn wholly-owned by Top Chief. CMSIZ is deemed to be interested in the 3,000,000 shares which are deemed to be interested by Top Chief. Such shares represent the 3,000,000 shares beneficially held by Orienture.
4. Sinotrans Shipping Ltd. (“**SSL**”) is 96.43%-owned by Sinotrans Shipping (Holdings) Limited (“**SSHL**”), which is wholly-owned by Sinomarine Limited (“**Sinomarine**”), which is in turn wholly-owned by Sinotrans CSC. Therefore, each of SSHL, Sinomarine and Sinotrans CSC is deemed to be interested in 23,604,000 shares beneficially held by SSL.
5. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited (“**Pagoda Tree**”) on 3 August 2020, 50% interest in CMU is owned by Verise Holdings Company Limited (“**Verise Holdings**”), which is wholly-owned by CNIC Corporation Limited (“**CNIC Corporation**”), which is in turn 90%-owned by Compass Investment Company Limited (“**Compass Investment**”), which is in turn wholly-owned by Pagoda Tree. Therefore, each of Verise Holdings, CNIC Corporation, Compass Investment and Pagoda Tree is deemed to be interested in the 801,294,878 shares beneficially held by CMU.

Short Position

Nil

Save as disclosed above, there was no person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

CORPORATE GOVERNANCE

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (“**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2021, except the following: -

Management Discussion and Analysis

In respect of Code Provision E.1.2 under the Corporate Governance Code. Mr. Deng Renjie, the Chairman of the Board, did not attend the annual general meeting of the Company held on 1 June 2021 due to business trip. Mr. Zheng Shaoping, the then Executive Director and Deputy General Manager of the Company, took chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, chairmen of the Audit and Remuneration Committees and other board members and the external auditor were present at the annual general meeting of the Company held on 1 June 2021 to answer shareholders' questions.

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises all of the four independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2021.

UPDATE ON DIRECTOR'S BIOGRAPHICAL DETAILS

With effect from 4 June 2021, Mr. Liu Weiwu was appointed as the non-executive director of China Merchants Securities Co., Ltd. He was also appointed as the non-executive director of Sinotrans Limited with effect from 10 June 2021, shares of two companies are listed on both the Shanghai Stock Exchange and the HKSE.

With effect from 16 August 2021, Mr. Xiong Xianliang was appointed as the General Manager of Institute of Science, Technology and Innovation, and the Chairman of the Development and Research Centre of China Merchants Group Limited. He resigned as the General Manager of the Strategy and Development Department of China Merchants Group Limited on the same date.

Following the delisting of shares of SHK Hong Kong Industries Limited on 23 April 2021, Mr. Lee Yip Wah Peter ceased to act as independent non-executive director of SHK Hong Kong Industries Limited with effect from 27 April 2021.

Mr. Li Ka Fai David is the existing independent non-executive director and a member of the audit committee and remuneration committee of AVIC International Holding (HK) Limited, which has changed its company name as Continental Aerospace Technologies Holding Limited with effect from 4 June 2021. Also, with effect from 25 June 2021, Mr. Li Ka Fai David retired as independent non-executive director and ceased to be the chairmen of the audit committee and the remuneration committee and a member of the nomination committee of CR Construction Group Holdings Limited, shares of which are listed on the HKSE.

With effect from 8 June 2021, Mr. Bong Shu Ying Francis re-designated as independent non-executive director of Cosmopolitan International Holdings Limited from the position of non-executive director, shares of which are listed on the HKSE.

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

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board

Deng Renjie

Chairman

Hong Kong, 30 August 2021

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	Unaudited	
		2021 HK\$'million	2020 HK\$'million
Revenue	6	5,663	4,077
Cost of sales		(3,016)	(2,403)
Gross profit		2,647	1,674
Other income and other gains, net	8	283	600
Administrative expenses		(680)	(630)
Finance income	9	192	118
Finance costs	9	(847)	(930)
Finance costs, net	9	(655)	(812)
Share of profits less losses of			
Associates		4,145	1,417
Joint ventures		61	182
		4,206	1,599
Profit before taxation		5,801	2,431
Taxation	10	(527)	(430)
Profit for the period	11	5,274	2,001
Attributable to:			
Equity holders of the Company		4,711	1,546
Owners of perpetual capital securities		113	–
Non-controlling interests		450	455
Profit for the period		5,274	2,001
Dividends	12	823	649
Earnings per share for profit attributable to equity holders of the Company	13		
Basic (HK cents)		128.67	44.83

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Unaudited	
	2021 HK\$'million	2020 HK\$'million
Profit for the period	5,274	2,001
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	528	(2,673)
Release of reserves upon deemed disposal of a subsidiary	(3)	–
Release of reserves upon deemed disposal of partial interest in an associate	(16)	–
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Share of other reserves of associates	(1)	(4)
Total other comprehensive income/(expense) for the period, net of tax	508	(2,677)
Total comprehensive income/(expense) for the period	5,782	(676)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	5,139	(657)
Owners of perpetual capital securities	113	–
Non-controlling interests	530	(19)
	5,782	(676)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 HK\$'million	Audited 31 December 2020 HK\$'million
ASSETS			
Non-current assets			
Goodwill		5,954	5,759
Intangible assets	14	9,348	9,369
Property, plant and equipment	14	26,784	26,509
Right-of-use assets	14	16,373	16,553
Investment properties	14	8,996	8,918
Interests in associates	15	69,366	67,426
Interests in joint ventures		9,130	9,091
Other financial assets		7,234	7,258
Other non-current assets		1,330	1,305
Deferred tax assets		506	420
		155,021	152,608
Current assets			
Inventories		145	179
Other financial assets		689	81
Debtors, deposits and prepayments	16	7,241	5,493
Taxation recoverable		7	8
Cash and bank balances		8,086	11,290
		16,168	17,051
Non-current assets held for sale		408	405
		16,576	17,456
Total assets		171,597	170,064

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 HK\$'million	Audited 31 December 2020 HK\$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	42,521	42,521
Reserves		47,842	43,501
Proposed dividend		823	1,867
		91,186	87,889
Perpetual capital securities		6,238	6,237
Non-controlling interests		19,997	19,509
Total equity		117,421	113,635
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	18	23,147	30,240
Lease liabilities		910	886
Other non-current liabilities		5,919	5,229
Deferred tax liabilities		4,725	4,482
		34,701	40,837
Current liabilities			
Creditors and accruals	19	4,170	4,152
Dividend payable to ordinary shareholders of the Company		1,867	–
Bank and other borrowings	18	11,014	8,952
Lease liabilities		39	76
Taxation payable		2,385	2,412
		19,475	15,592
Total liabilities		54,176	56,429
Total equity and liabilities		171,597	170,064
Net current (liabilities)/assets		(2,899)	1,864
Total assets less current liabilities		152,122	154,472

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited						
	Attributable to equity holders of the Company				Perpetual capital securities	Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Total			
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
As at 1 January 2021	42,521	4,922	40,446	87,889	6,237	19,509	113,635
COMPREHENSIVE INCOME							
Profit for the period	-	-	4,711	4,711	113	450	5,274
Other comprehensive income							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	-	448	-	448	-	80	528
Release of reserves upon deemed disposal of a subsidiary (note 15(i))	-	(10)	7	(3)	-	-	(3)
Release of reserves upon deemed disposal of partial interest in an associate (note 15(ii))	-	(35)	19	(16)	-	-	(16)
Share of other reserves of associates	-	(1)	-	(1)	-	-	(1)
Total other comprehensive income for the period, net of tax	-	402	26	428	-	80	508
Total comprehensive income for the period	-	402	4,737	5,139	113	530	5,782
TRANSACTIONS WITH OWNERS							
Transfer	-	(8)	8	-	-	-	-
Deemed disposal of a subsidiary (note 15(i))	-	-	-	-	-	(25)	(25)
Contribution from immediate holding company	-	10	-	10	-	-	10
Share of other changes in equity attributable to equity holders of associates and a joint venture	-	15	-	15	-	-	15
Distribution to owners of perpetual capital securities	-	-	-	-	(112)	-	(112)
Dividends	-	-	(1,867)	(1,867)	-	(17)	(1,884)
Total transactions with owners for the period	-	17	(1,859)	(1,842)	(112)	(42)	(1,996)
As at 30 June 2021	42,521	5,341	43,324	91,186	6,238	19,997	117,421

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Total		
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
As at 1 January 2020	40,614	1,017	38,152	79,783	14,351	94,134
COMPREHENSIVE INCOME						
Profit for the period	–	–	1,546	1,546	455	2,001
Other comprehensive expense						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	–	(2,199)	–	(2,199)	(474)	(2,673)
Share of other reserves of associates	–	(4)	–	(4)	–	(4)
Total other comprehensive expense for the period, net of tax	–	(2,203)	–	(2,203)	(474)	(2,677)
Total comprehensive (expense)/income for the period	–	(2,203)	1,546	(657)	(19)	(676)
TRANSACTIONS WITH OWNERS						
Transfer	–	2	(2)	–	–	–
Acquisition of additional interests in subsidiaries	–	(588)	(3)	(591)	591	–
Contribution from immediate holding company	–	8	–	8	–	8
Share of other changes in equity attributable to equity holders of associates and a joint venture	–	(70)	–	(70)	–	(70)
Dividends	–	–	(2,000)	(2,000)	(67)	(2,067)
Total transactions with owners for the period	–	(648)	(2,005)	(2,653)	524	(2,129)
As at 30 June 2020	40,614	(1,834)	37,693	76,473	14,856	91,329

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Unaudited	
	2021 HK\$'million	2020 HK\$'million
Cash flows from operating activities		
Net cash inflow from operations	2,934	1,793
Tax paid	(465)	(236)
Dividends received from associates and joint ventures	1,768	266
Net cash generated from operating activities	4,237	1,823
Cash flows used in investing activities		
Proceeds from withdrawal of other deposits and restricted bank balances	1,260	937
Placing of other deposits and restricted bank balances	(2,159)	(1,881)
Purchase of property, plant and equipment and port operating rights	(964)	(682)
Interest income received	158	69
Deemed disposal of a subsidiary	(38)	–
Capital contribution to an associate	–	(3,055)
Loan to an associate	–	(3,264)
Compensation for resumption of land parcels at Shantou received	–	110
Other investing cash flows	146	112
Net cash used in investing activities	(1,597)	(7,654)
Cash flows (used in)/from financing activities		
Proceeds from bank loans	1,818	10,210
Repayment of bank loans	(7,325)	(4,150)
Interests paid	(778)	(890)
Distributions paid to owners of perpetual capital securities	(112)	–
Acquisition of additional interests in subsidiaries	–	(835)
Other financing cash flows	214	(474)
Net cash (used in)/generated from financing activities	(6,183)	3,861
Decrease in cash and cash equivalents	(3,543)	(1,970)
Cash and cash equivalents at 1 January	11,217	6,939
Effect of foreign exchange rate changes	47	(131)
Cash and cash equivalents at 30 June, represented by cash and bank balances	7,721	4,838



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

1. GENERAL INFORMATION

China Merchants Port Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in ports operation, bonded logistics operation and property investment.

The Company is a limited liability company incorporated in Hong Kong and has its shares listed on The Stock Exchange of Hong Kong Limited (the “HKSE”).

The address of the Company’s registered office is 38/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

This condensed consolidated interim financial information is presented in Hong Kong dollar, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 30 August 2021 but has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on HKSE and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In preparing the condensed consolidated interim financial information of the Group, the directors of the Company has given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$2,899 million as at 30 June 2021. In the opinion of the directors of the Company, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration the working capital estimated to be generated from operating activities and the undrawn facilities of bank loans and other debt financing instruments. Based on this, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare this condensed consolidated interim financial information on a going concern basis.

The financial information relating to the financial year ended 31 December 2020 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements is as follows:

2. BASIS OF PREPARATION (CONTINUED)

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies in as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance").

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared on the historical cost basis, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss ("FVTPL"), equity instruments at fair value through other comprehensive income ("FVTOCI") and financial liabilities at FVTPL, which are carried at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2021 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated interim financial information:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the annual consolidated financial statements for the year ended 31 December 2020.

5. FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and hence should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

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

(ii) Fair value estimation

Different levels of fair value measurements have been defined as follows:

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

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

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2021 and 31 December 2020:

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
As at 30 June 2021				
Financial assets				
Financial assets at FVTPL	2,934	599	3	3,536
Equity instruments at FVTOCI	—	—	31	31
	2,934	599	34	3,567
Financial liabilities				
Financial liabilities at FVTPL	—	—	(4,119)	(4,119)
As at 31 December 2020				
Financial assets				
Financial assets at FVTPL	2,952	—	3	2,955
Equity instruments at FVTOCI	—	—	31	31
	2,952	—	34	2,986
Financial liabilities				
Financial liabilities at FVTPL	—	—	(3,432)	(3,432)

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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)

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

The fair value of the freely traded listed equity instruments that are accounted for as financial assets at FVTPL is valued based on the quoted prices in active markets for the identical assets directly.

The fair value of the structured deposit that are accounted for as financial assets at FVTPL is valued based on the one-year loan prime rate. As at 30 June 2021, if the one-year loan prime rate was 5% (31 December 2020: N/A) higher/lower while all the other variables were held constant, the changes in fair value of the structured deposit would be insignificant.

The fair value of other unlisted equity instruments that are accounted for as financial assets at FVTPL or equity instruments at FVTOCI is valued based on Guideline Publicly Traded Company method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. As at 30 June 2021, if any of the significant unobservable inputs above was 5% (31 December 2020: 5%) higher/lower while all the other variables were held constant, the changes in fair value of these unlisted equity instruments would be insignificant (31 December 2020: insignificant).

The fair value of the liabilities arising from the concession arrangements that are accounted for as financial liabilities at FVTPL is valued at the present value of the expected future economic benefits that will flow out of the Group arising from such obligation by using discounted cash flow method. The significant unobservable inputs are the factor of inflation and probability-adjusted business volume. As at 30 June 2021, if factor of inflation was 5% (31 December 2020: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the liabilities arising from the concession arrangements would be HK\$162 million (31 December 2020: HK\$165 million). As at 30 June 2021, if the probability-adjusted business volume was 5% (31 December 2020: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the liabilities arising from the concession arrangements would be HK\$158 million (31 December 2020: HK\$132 million).

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2021 and 2020:

	Financial assets at FVTPL HK\$'million	Equity instruments at FVTOCI HK\$'million	Financial liabilities at FVTPL HK\$'million
For the six months ended 30 June 2021			
As at 1 January 2021	3	31	(3,432)
Exchange adjustments	—	—	(210)
Settlement	—	—	54
Fair value loss recognised in profit or loss	—	—	(531)
As at 30 June 2021	3	31	(4,119)
For the six months ended 30 June 2020			
As at 1 January 2020	3	9	(4,532)
Exchange adjustments	—	—	843
Settlement	—	—	879
Fair value loss recognised in profit or loss	—	—	(174)
As at 30 June 2020	3	9	(2,984)

(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 for notes payable, 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

6. REVENUE

The principal activities of the Group comprise ports operation, bonded logistics operation and property investment. The following is an analysis of the Group's revenue from its major services offered during the period.

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	5,313	3,786
Warehousing services income, representing temporary storage of cargos and containers, custom clearance services and the auxiliary services	246	212
Revenue from contracts with customers	5,559	3,998
Gross rental income that are fixed from investment properties	104	79
	5,663	4,077

7. SEGMENT INFORMATION

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

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

From business and financial perspectives, management assesses the performance of the Group's business operations including ports operation, bonded logistics operation and other operations.

- (i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures.

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

- (a) Mainland China, Hong Kong and Taiwan
- Pearl River Delta
 - Yangtze River Delta
 - Bohai Rim
 - Others
- (b) Other locations outside of Mainland China, Hong Kong and Taiwan

7. SEGMENT INFORMATION (CONTINUED)

- (ii) Bonded logistics operation includes logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.
- (iii) Other operations mainly include property development and investment and logistics operation operated by the Group's associates, property investment operated by the Group and corporate function.

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations include a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

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

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2021	2020	2021	2020
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Mainland China, Hong Kong and Taiwan	3,519	2,192	102,390	98,321
Other locations	2,144	1,885	44,891	46,609
	5,663	4,077	147,281	144,930

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7. SEGMENT INFORMATION (CONTINUED)

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

	For the six months ended 30 June 2021										
	Ports operation					Sub-total	Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations		Other investments	Corporate function	Sub-total		
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million
Revenue	2,087	534	35	522	2,135	5,313	246	104	—	104	5,663
Earnings(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,070	209	502	44	429	2,254	73	61	(138)	(77)	2,250
Share of profits less losses of											
– Associates	124	2,727	121	51	230	3,253	6	886	—	886	4,145
– Joint ventures	—	—	30	3	27	60	1	—	—	—	61
	1,194	2,936	653	98	686	5,567	80	947	(138)	809	6,456
Finance costs, net	7	—	—	(19)	(39)	(51)	(9)	(17)	(578)	(595)	(655)
Taxation	(263)	(156)	(53)	(23)	41	(454)	(19)	(54)	—	(54)	(527)
Profit/(loss) for the period	938	2,780	600	56	688	5,062	52	876	(716)	160	5,274
Owners of perpetual capital securities	—	—	—	—	—	—	—	—	(113)	(113)	(113)
Non-controlling interests	(162)	(70)	—	(18)	(186)	(436)	(14)	—	—	—	(450)
Profit/(loss) attributable to equity holders of the Company	776	2,710	600	38	502	4,626	38	876	(829)	47	4,711
Other information:											
Depreciation and amortisation	297	117	1	161	468	1,044	58	1	13	14	1,116
Capital expenditure	642	19	—	69	82	812	3	21	5	26	841

7. SEGMENT INFORMATION (CONTINUED)

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

	For the six months ended 30 June 2020										
	Ports operation				Other locations	Sub-total	Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan							Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue	1,531	—	32	344	1,879	3,786	212	79	—	79	4,077
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	494	(88)	(1)	591	567	1,563	49	150	(118)	32	1,644
Share of profits less losses of											
– Associates	45	1,133	107	26	136	1,447	2	(32)	—	(32)	1,417
– Joint ventures	—	61	69	(1)	53	182	—	—	—	—	182
	539	1,106	175	616	756	3,192	51	118	(118)	—	3,243
Finance costs, net	2	1	—	(17)	(81)	(95)	(12)	(22)	(683)	(705)	(812)
Taxation	(127)	(46)	(13)	(163)	(39)	(388)	(15)	(27)	—	(27)	(430)
Profit/(loss) for the period	414	1,061	162	436	636	2,709	24	69	(801)	(732)	2,001
Non-controlling interests	(80)	—	—	(175)	(189)	(444)	(11)	—	—	—	(455)
Profit/(loss) attributable to equity holders of the Company	334	1,061	162	261	447	2,265	13	69	(801)	(732)	1,546
Other information:											
Depreciation and amortisation	303	—	1	166	460	930	54	1	13	14	998
Capital expenditure	327	—	—	257	165	749	5	2	4	6	760

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For the six months ended 30 June 2021

7. SEGMENT INFORMATION (CONTINUED)

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

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

As at 30 June 2021											
	Ports operation					Sub-total	Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million			HK\$'million	HK\$'million	HK\$'million	
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	19,686	7,773	1,309	12,096	37,572	78,436	2,900	9,110	1,734	10,844	92,180
Interests in associates	2,817	32,612	4,992	3,147	8,508	52,076	836	16,454	—	16,454	69,366
Interests in joint ventures	12	—	3,068	361	5,657	9,098	6	26	—	26	9,130
Non-current assets held for sale	—	—	—	408	—	408	—	—	—	—	408
Total segment assets	22,515	40,385	9,369	16,012	51,737	140,018	3,742	25,590	1,734	27,324	171,084
Taxation recoverable											7
Deferred tax assets											506
Total assets											171,597
LIABILITIES											
Segment liabilities	(3,603)	(243)	(44)	(1,596)	(10,764)	(16,250)	(613)	(1,441)	(28,762)	(30,203)	(47,066)
Taxation payable											(2,385)
Deferred tax liabilities											(4,725)
Total liabilities											(54,176)

7. SEGMENT INFORMATION (CONTINUED)

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

As at 31 December 2020											
	Ports operation					Bonded logistics operation	Other operations			Total	
	Mainland China, Hong Kong and Taiwan				Other locations		Sub-total	Other investments	Corporate function		Sub-total
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others	Sub-total						
	HK\$'million	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)	18,158	6,985	1,153	12,114	36,863	75,273	3,061	8,889	5,491	14,380	92,714
Interests in associates	2,581	30,597	4,437	3,108	10,244	50,967	869	15,590	—	15,590	67,426
Interests in joint ventures	6	—	3,020	360	5,677	9,063	6	22	—	22	9,091
Non-current assets held for sale	—	—	—	405	—	405	—	—	—	—	405
Total segment assets	20,745	37,582	8,610	15,987	52,784	135,708	3,936	24,501	5,491	29,992	169,636
Taxation recoverable											8
Deferred tax assets											420
Total assets											170,064
LIABILITIES											
Segment liabilities	(3,040)	(321)	(38)	(1,934)	(10,525)	(15,858)	(692)	(1,445)	(31,540)	(32,985)	(49,535)
Taxation payable											(2,412)
Deferred tax liabilities											(4,482)
Total liabilities											(56,429)

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8. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Dividend income from equity investments	88	78
Increase in fair value of investment properties	4	144
Gain on resumption of land parcels at Shantou (Note)	—	615
Gain on disposal of property, plant and equipment	11	3
Net exchange (losses)/gains	(11)	34
Gain on deemed disposal of a subsidiary (note 15(i))	17	—
Gain on deemed disposal of partial interest in an associate (note 15(ii))	500	—
Decrease in fair value of financial assets at FVTPL	(22)	(167)
Increase in fair value of financial liabilities at FVTPL	(531)	(174)
Government grants	203	31
Others	24	36
	283	600

Note: During the prior period, certain property, plant and equipment and land parcels located at Shantou, Guangdong Province, the People's Republic of China ("PRC") recognised as non-current assets held for sale as at 31 December 2019 were resumed by Shantou Land Reserve Center ("SLRC"), an authority established by the government of the PRC. The compensation for the resumption of the related assets at Shantou held by the Group was RMB787 million (equivalent to approximately HK\$864 million), resulting in a gain on the resumption of HK\$615 million.

9. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Finance income from:		
Interest income from bank and other deposits	52	32
Interest income from advances to associates	102	53
Interest income from advance to a joint venture	38	33
	192	118
Interest expense on:		
Bank loans	(164)	(257)
Notes payable	(606)	(603)
Loans from:		
– a non-controlling equity holder of a subsidiary	(12)	(10)
– fellow subsidiaries	(9)	(17)
– immediate holding company	(21)	(9)
Lease liabilities	(25)	(26)
Others	(41)	(25)
Total borrowing costs incurred	(878)	(947)
Less: amount capitalised on qualifying assets (Note)	31	17
Finance costs	(847)	(930)
Finance costs, net	(655)	(812)

Note: Apart from the interest expense incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 3.86% per annum (2020: 4.51% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

Notes to the Condensed Consolidated Interim Financial Information

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10. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of the PRC ("PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

The amount of taxation charged/(credited) to the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Current taxation		
Hong Kong Profits Tax	4	2
PRC corporate income tax	292	299
Overseas profits tax	11	(5)
Withholding income tax	112	83
Deferred taxation		
Origination and reversal of temporary differences	108	51
	527	430

11. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,032	811
Depreciation of property, plant and equipment	733	658
Depreciation of right-of-use assets	249	213
Amortisation of intangible assets	134	127

12. DIVIDENDS

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Interim dividend of 22 HK cents (2020: 18 HK cents) per ordinary share	823	649

At a meeting held on 30 August 2021, the Board of Directors proposed an interim dividend of 22 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

The amount of interim dividend for 2021 was based on 3,743,142,822 (2020: 3,607,640,423) shares in issue as at 30 August 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 1 June 2021, a final dividend of 51 HK cents per ordinary share, totalling HK\$1,867 million for the year ended 31 December 2020 was declared. In July 2021, the Company issued 82,054,406 shares under the Company's scrip dividend scheme.

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13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
Basic		
Profit attributable to equity holders of the Company (HK\$'million)	4,711	1,546
Weighted average number of ordinary shares in issue	3,661,088,416	3,448,947,770

No diluted earnings per share for both six months ended 30 June 2021 and 2020 were presented as there were no potential dilutive ordinary shares in issue for both periods.

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

	Intangible assets HK\$'million	Property, plant and equipment HK\$'million	Right-of- use assets HK\$'million	Investment properties HK\$'million
Six months ended 30 June 2021				
Net book value as at 1 January 2021	9,369	26,509	16,553	8,918
Exchange adjustments	93	231	69	72
Additions	20	803	13	2
Increase in fair value	—	—	—	4
Disposal	—	(16)	(13)	—
Deemed disposal of a subsidiary	—	(10)	—	—
Depreciation and amortisation	(134)	(733)	(249)	—
Net book value as at 30 June 2021	9,348	26,784	16,373	8,996
Six months ended 30 June 2020				
Net book value as at 1 January 2020	10,244	23,870	15,435	8,246
Exchange adjustments	(1,073)	(858)	(150)	(133)
Additions	5	692	—	—
Increase in fair value	—	—	—	144
Transfer	—	10	(10)	—
Disposal	—	(27)	(1)	—
Depreciation and amortisation	(127)	(658)	(213)	—
Net book value as at 30 June 2020	9,049	23,029	15,061	8,257

15. INTERESTS IN ASSOCIATES

(i) Deemed disposal of a subsidiary engaged in providing technology solutions

In December 2020, the Company, China Merchants Port Group Co., Ltd. (“CMPG”) and certain relevant parties entered into equity subscription and capital injection agreement (the “Injection Agreement”), pursuant to which the Company and CMPG agreed to waive any pre-emptive rights they might have in subscribing for any equity interests in China Merchants International Technology Company Limited (formerly known as “China Merchants Holdings (International) Information Technology Company Limited”, hereinafter referred to as “CMIT”), a non-wholly owned subsidiary of the Company.

During the current period, with reference to the Injection Agreement, Dalian Port Container Development Co., Ltd. (“Dalian Port Container”), Dalian Port Jifa Logistics Co., Ltd. (“Dalian Port Jifa”) and Yingkou Port Group Co., Ltd. (“Yingkou Port Group”), each a fellow subsidiary of the Group, have made capital contribution to CMIT by way of equity transfer from Dalian Port Net Co., Ltd. (49.63%-owned by Dalian Port Container and 29.40%-owned by Dalian Port Jifa) and Yingkou Gangxin Technology Co., Ltd., a wholly-owned subsidiary of Yingkou Port Group. The registered capital of CMIT increased from RMB50 million (equivalent to approximately HK\$59 million) to RMB88 million (equivalent to approximately HK\$104 million). Accordingly, the Company’s equity interest in CMIT was diluted from 76.84% to 43.74%, resulting in a gain on deemed disposal of HK\$17 million, and ceased to be a subsidiary of the Company after the capital injection by the new subscribers. Hence, the investment in CMIT is accounted for as an interest in an associate as the directors consider the Group has significant influence over the investee.

(ii) Deemed disposal of partial interest in an associate engaged in port operation in Dalian, the PRC

In January 2021, the merger by absorption through share swap (the “Merger”) between Liaoning Port Co., Ltd. (formerly known as “Dalian Port (PDA) Company Limited”, hereinafter referred to as “Liaoning Port”), an associate of the Group, and a related party and fundraising and connected transactions have been approved by the China Securities Regulatory Commission.

Upon completion of the Merger, Liaoning Port’s total share capital increased from RMB12,895 million (equivalent to approximately HK\$15,322 million) to RMB22,623 million (equivalent to approximately HK\$26,881 million). Accordingly, the Group’s equity interest in Liaoning Port was diluted from 21.05% to 12.00%, resulting in a gain on deemed disposal of HK\$500 million. The investment in Liaoning Port continues to account for as an interest in an associate as there is no change in the directorship appointed by the Group and the directors consider the Group has significant influence over the investee.

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16. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Trade debtors from contracts with customers, net (Note (a))	1,342	1,018
Amounts due from fellow subsidiaries (Note (b))	12	15
Amount due from immediate holding company (Note (b))	127	2
Amounts due from associates (Note (b))	84	98
Amounts due from joint ventures (Note (b))	1	1
Dividend receivables	1,448	290
	3,014	1,424
Other debtors, deposits and prepayments (Note (c))	4,227	4,069
	7,241	5,493

Notes:

- (a) Bill receivables of HK\$25 million (31 December 2020: HK\$1 million) are included in trade debtors as at 30 June 2021.

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2020: 90 days) to its trade debtors. The ageing analysis of the trade debtors, based on the invoice date, net of allowance for credit losses of trade debtors, is as follows:

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
0 - 90 days	1,282	996
91 - 180 days	43	8
181 - 365 days	12	4
Over 365 days	5	10
	1,342	1,018

- (b) The balances are unsecured, interest-free.
- (c) Included in the amount as at 30 June 2021 is the compensation receivable from SLRC for the resumption of land parcels at Shantou amounting to HK\$3,285 million (31 December 2020: HK\$3,258 million) and an indemnification receivable from the holding companies of a non-controlling shareholder of a subsidiary amounting to HK\$232 million (31 December 2020: HK\$239 million).

17. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
		HK\$'million	HK\$'million	
Issued and fully paid:				
As at 1 January and 30 June	3,661,088,416	3,448,947,770	42,521	40,614

18. BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	1,301	5,014
– fixed rate	60	772
Unsecured long-term fixed rate bank loans	837	826
Long-term variable rate bank loans		
– unsecured	4,095	4,864
– secured (Note (a))	2,664	2,941
	8,957	14,417
Loan from a non-controlling equity holder of a subsidiary (Note (b))	516	520
Loans from a fellow subsidiary (Note (c))	513	455
Loan from immediate holding company (Note (d))	1,200	934
Notes payable (Note (e))		
– US\$500 million, 5% guaranteed listed notes maturing in 2022	3,876	3,865
– US\$900 million, 4.375% guaranteed listed notes maturing in 2023	6,962	6,944
– US\$500 million, 4.75% guaranteed listed notes maturing in 2025	3,870	3,863
– US\$600 million, 5% guaranteed listed notes maturing in 2028	4,610	4,602
– Brazilian Real 428 million, Brazil's National Consumer Price Index +7.82% listed notes maturing in 2021 and 2022	662	621
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	2,995	2,971
	22,975	22,866
Total	34,161	39,192
Less: amounts due within one year included under current liabilities	(11,014)	(8,952)
Non-current portion	23,147	30,240

Notes to the Condensed Consolidated Interim Financial Information

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18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) As at 30 June 2021 and 31 December 2020, the following assets are pledged against the Group's secured bank loans:

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Property, plant and equipment	456	458
Right-of-use assets	229	230
	685	688

In addition to the above, the entire shareholdings in two subsidiaries owned by the Group as at 30 June 2021 and 31 December 2020, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

- (b) The amount is unsecured, interest-bearing at 4.65% (31 December 2020: 4.65%) per annum.
- (c) The amount as at 30 June 2021 and 31 December 2020 is loans from a fellow subsidiary which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. These amounts are unsecured, interest-bearing at 1.20% to 4.80% (31 December 2020: 1.20% to 4.80%) per annum.
- (d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum.
- (e) Listed notes issued by subsidiaries of the Company of HK\$19,318 million (31 December 2020: HK\$19,274 million) are secured by corporate guarantees provided by the Company.
- (f) As at 30 June 2021, the Group has undrawn bank loan facilities and other debt financing instruments amounting to HK\$27,459 million (31 December 2020: HK\$27,806 million), of which HK\$16,836 million (31 December 2020: HK\$19,174 million) and HK\$10,623 million (31 December 2020: HK\$8,632 million) are committed and uncommitted credit facilities, respectively.
- (g) The bank and other borrowings as at 30 June 2021 and 31 December 2020 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from a fellow subsidiary		Loan from immediate holding company		Notes payable		Total	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Within 1 year	2,638	7,688	—	—	113	148	1,200	934	7,063	182	11,014	8,952
Between 1 and 2 years	1,115	1,123	—	—	—	—	—	—	470	7,275	1,585	8,398
Between 2 and 5 years	4,123	4,589	—	—	236	152	—	—	10,832	10,807	15,191	15,548
Within 5 years	7,876	13,400	—	—	349	300	1,200	934	18,365	18,264	27,790	32,898
More than 5 years	1,081	1,017	516	520	164	155	—	—	4,610	4,602	6,371	6,294
	8,957	14,417	516	520	513	455	1,200	934	22,975	22,866	34,161	39,192

19. CREDITORS AND ACCRUALS

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Trade creditors (Note (a))	468	312
Contract liabilities	134	115
Amounts due to fellow subsidiaries (Note (b))	42	51
Amounts due to associates (Note (b))	437	364
Amounts due to joint ventures (Note (b))	2	—
Other payables and accruals	3,087	3,310
	4,170	4,152

Notes:

- (a) The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
0 - 90 days	359	260
91 - 180 days	74	15
181 - 365 days	4	—
Over 365 days	31	37
	468	312

- (b) The balances are unsecured, interest-free.

20. COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Group		
Property, plant and equipment and intangible assets	1,650	2,348
Joint ventures		
Property, plant and equipment	29	23
	1,679	2,371

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20. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

	30 June 2021 HK\$'million	31 December 2020 HK\$'million
Group		
Ports projects	1,196	1,194

(c) Contingent liabilities

- (i) As at 30 June 2021, TCP Participações S.A. ("TCP", together with its subsidiaries, the "TCP Group") had significant contingent liabilities arising from pending legal proceedings in Brazil in respect of disputes with local tax authorities, employees or former employees of TCP Group and other parties, amounting to HK\$292 million (31 December 2020: HK\$253 million), which, based on the latest estimates of the management of the Group, is not probable that outflows of resources embodying economic benefits will be required to settle these obligations. Accordingly, no provision for litigation claims in respect of the above cases has been made in the condensed consolidated interim financial information. A counter indemnity in favour of the Group is executed by several independent third parties who are the original shareholders of TCP pursuant to which the latter indemnify to the Group for the above contingent liabilities for and up to predetermined amounts and specified length of time.
- (ii) As at 30 June 2021 and 31 December 2020, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK\$80 million (31 December 2020: HK\$84 million) arising from the above loan facilities and other obligations.

In addition to above, the Group also provides guarantees for banking facilities granted to and other obligations borne by an associate of CMG. The total amount guaranteed by the Group is HK\$224 million (31 December 2020: HK\$223 million) and the aggregate amount utilised by the relevant related party amounted to HK\$135 million (31 December 2020: HK\$134 million).

The directors of the Company assessed the risk of default of the associate and the related party in serving the aforesaid loan facilities and other obligations at the end of the reporting period and considered the risk to be insignificant and it is not likely that any guaranteed amount will be claimed.

- (iii) As at 30 June 2021 and 31 December 2020, the Company has been involved in a legal action involving dispute over the Group's overseas investment. Based on advice of legal counsel and information available to the Group, the directors of the Company are of the opinion that it is pre-mature to assess the possible outcome of the case and the Company is unable to ascertain the likelihood and estimate a reliable amount of the claim at the current stage.

21. RELATED PARTY TRANSACTIONS

The directors of the Company regard CMG, a state-owned enterprise registered in the PRC and is controlled by the PRC government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. Other than as disclosed elsewhere in these condensed consolidated financial information, 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 2021 are as follows:

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

	Note	Six months ended 30 June	
		2021 HK\$'million	2020 HK\$'million
Rental income from	(i)		
– fellow subsidiaries		28	25
– joint ventures		9	5
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		2	1
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		2	3
Service income from	(ii)		
– fellow subsidiaries		41	47
– associates		16	10
– joint ventures		31	30
– related parties		8	—
Service fee paid to	(iii)		
– fellow subsidiaries		31	29
– associates		73	7
– joint ventures		9	8
– a related party		—	1
Interest income from			
– a fellow subsidiary	(iv)	10	5
– associates	(v)	102	53
– a joint venture	(v)	38	33
– a related party	(vi)	9	5
Interest expenses paid to	(vii)		
– immediate holding company		21	9
– fellow subsidiaries		9	17

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

- (i) The Group rented certain vessels and properties from and leased office premises and residential units to the CMG Group and also leased warehouses to joint ventures. Lease payments were received or charged at a fixed amount per month in accordance with respective tenancy agreements.
- During the current period, the Group has recognised an addition of right-of-use assets of HK\$6 million (2020: nil) and lease liabilities of HK\$6 million (2020: nil) in relation to these leases.
- (ii) The ports, logistics and information technology service fees were charged with reference to market rates.
- (iii) These related parties provided barges to bring cargoes into terminals operated by the Group and provided cargo management and information technology services to the Group. The service fees were charged with reference to market rates.
- (iv) As at 30 June 2021, the Group placed deposits of HK\$701 million (31 December 2020: HK\$1,365 million) with China Merchants Group Finance Co., Ltd., a subsidiary of CMG which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are included in cash and bank balances.
- Interest income was charged at interest rates ranging from 1.61% to 2.03% (2020: from 1.61% to 3.30%) per annum.
- (v) Interest income was charged at interest rates ranging from 4.75% to 6% (2020: 4.75% to 6%) per annum on the outstanding loan to associates and 0.5% plus the weighted average of the interest rates applicable under certain facilities provided to the joint venture (2020: 8%) per annum on the outstanding loan to a joint venture.
- (vi) As at 30 June 2021, the Group placed deposits of HK\$1,282 million (31 December 2020: HK\$1,200 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.
- There was no borrowing from CMB as at 30 June 2021 and 31 December 2020.
- (vii) Interest expenses were charged at interest rates as specified in note 18 on the outstanding loans from immediate holding company and fellow subsidiaries.
- (viii) In previous years, a subsidiary of the Company entered into a transaction with a related party for leasing a parcel of land located in Djibouti. At inception of the lease, the Group has recognised a right-of-use asset amounting to HK\$217 million. Lease payment of HK\$217 million had been made by the Group during the previous years. As at 30 June 2021, the corresponding carrying amount of the right-of-use asset was HK\$211 million (31 December 2020: HK\$211 million).
- (ix) During the current period, the Group acquired property, plant and equipment of HK\$2 million (2020: HK\$2 million) from fellow subsidiaries.

The balances with entities within CMG Group as at 30 June 2021 and 31 December 2020 are disclosed in notes 16, 18 and 19.

Included in these transactions are certain connected transactions or continuing connected transactions entered into by the Group. Other than these transactions, the other transactions as set out in this note 21(a) were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in the Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

(c) Key management compensation

	Six months ended 30 June	
	2021 HK\$'million	2020 HK\$'million
Salaries and other short-term employee benefits	12	14

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