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

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 144)

2007 Interim Results Announcement

The Board of Directors (the "Board") of China Merchants Holdings (International) Company Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Unaudited	
	Note	**2007**	**2006**
		HK$'million	*HK$'million*
Continuing operations			
Turnover	2	2,863	1,694
Cost of sales	5	(1,801)	(1,180)
Gross profit		1,062	514
Other gains, net	4	53	45
Other income	4	12	2
Distribution costs	5	(164)	(116)
Administrative expenses	5	(241)	(150)
Operating profit		722	295
Interest income		25	10
Finance costs	6	(277)	(183)
Share of profits less losses of			
Associates		1,198	1,023
Jointly controlled entities		39	103
Profit before taxation		1,707	1,248
Taxation	7	(134)	(36)

	Note	Unaudited 2007 HK$'million	2006 HK$'million
Profit for the period from continuing operations		1,573	1,212
Discontinued operations			
Profit for the period from discontinued operations	8	142	138
Profit for the period		1,715	1,350
Attributable to:			
Shareholders of the Company			
- continuing operations		1,418	1,106
- discontinued operations		102	99
		1,520	1,205
Minority interest			
- continuing operations		155	106
- discontinued operations		40	39
		195	145
Profit for the period		1,715	1,350
Dividends	9	479	394
Earnings per share from profit attributable to the shareholders of the Company	10		
From continuing operations			
- basic *(HK cents)*		60.70	48.63
- diluted *(HK cents)*		60.28	48.47
From discontinued operations			
- basic *(HK cents)*		4.37	4.37
- diluted *(HK cents)*		4.34	4.36

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	Note	**Unaudited 30 June 2007** *HK$'million*	**Audited 31 December 2006** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		3,750	281
Property, plant and equipment		10,136	7,999
Investment properties		606	603
Leasehold land and land use rights		6,367	3,104
Interests in associates		13,789	12,645
Interests in jointly controlled entities		540	4,421
Other financial assets		862	917
Prepayment		—	2,066
Deferred tax assets		27	22
		36,077	32,058
Current assets			
Inventories		302	239
Development properties for sale		—	387
Debtors, deposits and prepayments	11	2,145	1,523
Tax recoverable		18	4
Cash and cash equivalents		1,221	781
		3,686	2,934
Non-current assets held for sale	8	3,654	94
		7,340	3,028
Total assets		43,417	35,086

	Note	Unaudited 30 June 2007 HK$'million	Audited 31 December 2006 HK$'million
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		239	233
Reserves		23,220	19,847
Proposed dividend	9	479	841
		23,938	20,921
Minority interest		1,934	2,522
Total equity		25,872	23,443
LIABILITIES			
Non-current liabilities			
Other financial liabilities		5,614	6,082
Non-current payable		320	320
Deferred tax liabilities		422	243
		6,356	6,645
Current liabilities			
Creditors and accruals	12	3,584	2,272
Taxation payable		31	21
Other financial liabilities		7,350	2,705
		10,965	4,998
Liabilities directly associated with non-current assets held for sale	8	224	—
		11,189	4,998
Total liabilities		17,545	11,643
Total equity and liabilities		43,417	35,086
Net current liabilities		(3,849)	(1,970)
Total assets less current liabilities		32,228	30,088

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

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

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

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

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

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

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

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

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

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

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

2 **Turnover**

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

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

3 **Segment information**

(a) ***Primary reporting format — business segment***

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

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

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

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

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

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

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

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

(b) ***Secondary reporting format - geographical segment***

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

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

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

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

4 Other gains, net and other income

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

5 Expenses by nature

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

6 Finance costs

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

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

7 Taxation

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

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

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

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

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

8 **Non-current assets held for sale and discontinued operations**

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

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

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

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

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

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

9 Interim dividend

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

At a meeting held on 19 September 2007, the Directors proposed an interim dividend of 20 HK cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

The amount of interim dividend for 2007 was based on 2,396,255,125 shares in issue as at 19 September 2007.

10 Earnings per share

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

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

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

Diluted	Continuing operations	Discontinued operations	Total
For the six months ended 30 June 2007			
Profit attributable to equity holders of the Company (HK$'million)	1,418	102	1,520
Weighted average number of ordinary shares in issue	2,335,778,185	2,335,778,185	2,335,778,185
Adjustment for share options	16,400,062	16,400,062	16,400,062
Weighted average number of ordinary shares for diluted earnings per share	2,352,178,247	2,352,178,247	2,352,178,247
Diluted earnings per share (HK cents)	60.28	4.34	64.62

Diluted	Continuing operations	Discontinued operations	Total
For the six months ended 30 June 2006			
Profit attributable to equity holders of the Company (HK$'million)	1,106	99	1,205
Weighted average number of ordinary shares in issue	2,272,843,953	2,272,843,953	2,272,843,953
Adjustment for share options	7,583,113	7,583,113	7,583,113
Weighted average number of ordinary shares for diluted earnings per share	2,280,427,066	2,280,427,066	2,280,427,066
Diluted earnings per share (HK cents)	48.47	4.36	52.83

11 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtor of HK$1,641 million (2006: HK$1,120 million).

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

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

12 Creditors and accruals

Creditors and accruals balance includes trade creditor of HK$616 million (2006: HK$510 million).

The ageing analysis of trade creditors is as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

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

The sustained growth of China's economy and of its international trades has become a major driving force for the development of the ports business globally. Data published by the National Bureau of Statistics reveal that the GDP and gross value of foreign trade imports and exports of Mainland China in the first half of 2007 grew respectively by 11.5% and 23.3% over those for the same period last year, reflecting the continuingly strong growth in economic progress and in trade. Driven by such sustained growth, China's container throughput volume rose very rapidly. The throughput volume growth has, in addition, been intensified during the period under review by the export rush resulted from requests by cargo owners - in response to the State's recently-announced adjustment policy for export tax rebate — to make deliveries ahead of schedule. According to the statistical data released by the Ministry of Communications, in the first half of 2007, Chinese ports that are above the standard size handled in total 52.53 million TEUs of containers, representing respectively an increase of 24.1% over the same period last year, as well as an increase of 1.7 percentage points in the throughput's growth rate when compared to that of last year. Growth rates in container throughputs in the major coastal ports have also demonstrated increases of varying magnitude.

The Group stands to benefit, and has been benefiting, from China's flourishing economic progress and trade. With its ports operations well established at strategic locations in China, the Group increasingly focuses on optimizing customer satisfaction by offering quality services. Simultaneously as the Group consolidates and develops its container operations at hub locations, it has been diligently exploring business opportunities that could expand its capabilities by offering comprehensive and quality services for both container and bulk cargo handling operations. This is expected to be through participation in port operations handling resources and energy commodities of quality and scale. Corresponding with respectively the globalisation trends in international trades and market demands in China, the Group has systematically and steadily implemented its development and operation strategies for container businesses. Through in-depth integration of port resources and sustained enhancement of internal control measures, the Group has continued to improve its port handling capacity and operation efficiency, thereby meeting more customer needs whilst optimizing returns to the Group. Supported by the favorable external market environment, the Group has been able to implement operational improvement measures, thereby enabling the Group to achieve satisfactory growth performance during the first six months in 2007.

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

For the first six months of 2007, the Group recorded a turnover of HK$2,863 million, representing an increase of 69% over the same period last year. In the first half of this year, the Group completed the integration of equity interests of phase I, phase II and phase III of Shekou Container Terminal, with significant increase in the turnover from ports operations, reaching HK$1,461 million, and representing an increase of 76.4% over the same period last year.

Review of Ports Operations

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

At present, the Group's ports portfolio pans out to cover most major coastal hub locations in the PRC. Based on the statistics of container throughput handled by the port projects in which the Group has invested, the Group has become the largest container terminal operator in Mainland China. In the first half of 2007, the Group's ports handled a total container throughput of 22.16 million TEUs, representing a period-on-period increase of approximately 20%. Projects in Mainland China and in Hong Kong have respectively handled container throughput of 18.82 million TEUs and 3.34 million TEUs, representing a period-on-period increase of respectively 23%

and 4%. With reference to statistical data published by the Ministry of Communications and by Hong Kong Marine Department, the Group's market share of container throughputs in China and Hong Kong was approximately 36% and 29% respectively during the first half of this year.

For the period under review, the throughput growth achieved by each of the Group's container operations in various locations has, in each case, exceeded that achieved collectively by all the ports in the relevant location. Among these, the Group's Western Shenzhen ports handled 4.98 million TEUs, a period-on-period growth of approximately 15% and reflecting consecutively a market share of over 51% of the entire Shenzhen throughput. The Group's Ningbo Daxie Terminal achieved 0.31 million TEUs, an increase of almost three times with the terminal accounting for 7% of Ningbo's total market share, a jump from 4% for the same period last year. Tianjin Five Continents Terminal handled 0.91 million TEUs, revealing a growth rate of over 23% and a market share of 27% of the entire Tianjin throughput. The business volume of Zhangzhou Container Terminal has seen accelerated growth, having achieved 0.1 million TEUs during the first half of 2007, which represented an increase of close to 57% when compared to the same period last year. Container volume handled by SIPG continued to trend upward in scale, recording an increase in the first half of 2007 of over 24% when compared to the same period last year.

Through on-going efforts of integration and consolidation, the Group's Western Shenzhen ports have shown remarkable progress in expanding their commercial activities. During the period under review, Western Shenzhen district saw a net addition of 12 international shipping routes servicing terminals dedicated to handle international trades, making the total number of liner routes to 117, thus further elevating the Western Shenzhen ports' reach-out to its customers. The successful realignment of the Group's equity interests in and the business operations of Shekou Container Terminal has significantly enhanced the Group's international operation at Western Shenzhen ports district. In the first half of 2007, Shekou Container Terminal handled 1.39 million TEUs, which throughput volume reflected a significant increase of 22% over the same period last year. Having regard to the growth potential in the container market brought about by China's domestic trade in the future, the Group has continued to strengthen its existing market positioning in this segment at Western Shenzhen ports district while proactively exploring, and implementing, opportunities relating to same-vessel stevedoring activities for both international and domestic trades within the location.

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

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

Review of port related operations

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

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

Review of Asia-Pacific operations of China Merchants Holdings Pacific

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

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

Prospects and Outlook

Relevant economic data so far published reflected that the global economy has maintained a sustainable growth momentum during the first half of 2007. The Organisation for Economic Cooperation and Development ("OECD") estimated that global trade has for the first two quarters of this year grown at approximately 6.7% and 7.7% respectively. It is expected that the global economy will continue its growth momentum during the second half of 2007. While the market is concerned about the impact on the global economy that might be brought about by a slowdown of the US economy, the Group is of the opinion that such impact could, to a certain extent, be offset by the growth achieved by the European Union and Japan, and the rapid growth of the emerging economies. In addition, the Group believes that the sustainable growth of Asian countries and regions driven in the main by their respective domestic demands will emerge as a key impetus to fuel the growth engine of the global economy. In the meantime, China's economy and foreign trade have continued to grow rapidly during the first half of 2007, although this growth trend is likely to be impacted by the introduction of macro-economic adjustment policy and export tax rebate policy, and the expected continuing appreciation of Renminbi. The Group maintains that on balance China's economy remains healthy on the development track and that the second half of 2007 is unlikely to experience huge volatility alongside a relatively steady growth.

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

The economic momentum currently exhibited by China's major economic regions suggests that the productivity at the Pearl River Delta, as depicted from its economic development and trade volume, still ranks ahead of other regions. The Pearl River Delta possesses well-developed processing industries showing obvious characteristics of an export-led economy, which greatly supports the ports business that anchors on the development of the local economy and its international trade volume. Therefore, in response to the growth-led changes, the Group will push to upgrade the ancillary facilities and service functions in its Western Shenzhen ports district, expand the network coverage by the South China shuttle barge system, and intensify the integration between terminals by leveraging on the interactive advantages of Qianhaiwan Logistic Park and various terminal operations, with a view to further consolidating the operation scale for ports in south China. The Group remains optimistic about the prospects in south China and has reached a mutual understanding with parties concerned to jointly develop the container terminal named as Phase II of Shenzhen Dachan Bay. In addition, the Group is also actively studying the development plan for the site with designated terminal use at Shenzhen Qianhaiwan so as to provide ground for future expansion.

In recent year, the Yangtze River Delta has seen very rapid development, which reflects strong economic momentum and allows the region to play an important role in the development process of China's modernisation. With a relatively high standard of urbanization and a comprehensive municipal system, the Yangtze River Delta lies at the stage of post-industrialised development. Structural upgrading of conventional pillar industries through the application of high and new technologies could facilitate the turn of the Yangtze River Delta to a new-styled manufacturing base for the world. The Group maintains that the Yangtze River Delta is capable of becoming not only a key growth engine for the region but also an economically vibrant zone in the

Asia-Pacific, thus making it an outward economy that is internationally competitive. Impacted by the high-growth hinterland, ports in the Yangtze River Delta, led by those in Shanghai and Ningbo, have recorded fast growth in container throughputs. The Group has, captialising on this historic opportunity, actively sought to participate in the terminal operation business at the Yangtze River Delta. On the one hand, the Group through its interest in SIPG shares the benefits from Shanghai Port's operation performance. On the other hand, the Group through its investment in Ningbo Daxie Terminal participates in the competition and development of the Ningbo market with the anticipated performance results. The Group expects that the implementation of the Yangtze River Delta strategies will stimulate and support the development and expansion of the Group's ports business, which in turn will enable the Group to continually benefit from the robust and sustainable economic growth in the Yangtze River Delta.

The Group's investment in Tianjin's container terminal and Qingdao's port-logisitics park project represents an important step in the implementation of its ports strategy for the Bohai Rim. Currently, the Tianjin project and the Qingdao project are at the respective stage of fully operational and inauguration. The Bohai Economic Rim, stretching over five provinces and two municipalities, namely Beijing and Tianjin, offers tremendous potential in terms of market size and economic growth. Of particular significance is that the State is actively promoting the establishment of Binhai New Zone in Tianjin, which the State intends to, like Pudong of the Shanghai Municipality, include in the country's entire mapping for strategic development. The objective in so doing is to leverage off the momentum established by the Beijing and Tianjin municipalities in order to motivate the economic development and trading activities and ports business in the proximity. Alongside an expanding economy in the region together with increasing volume in international trade, the Group expects the growth potential in the ports sector in the Bohai Rim region to be released. At the same time as it focuses its attention to the ports business, the Group is also actively studying or participating in the development of ports' ancillary bonded logistics parks. The Group is of the view that the development and construction of Binhai New Zone in Tianjin will stimulate the growth of comprehensive logistics operations for the terminal and maritime sectors. During the first half of 2007, therefore, the Group entered into an agreement with Tianjin Ports Company Limited to jointly develop the Tianjin Dong Jiang Bonded Logistics and Processing Park. The Group believes that this investment will help establish the Tianjin port as the international maritime center for northern China and, in turn, help enhance the Group's strategic positioning in Tianjin, or even in the Bohai Rim.

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

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

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

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

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

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

INTERIM DIVIDEND

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 20 HK cents per share in scrip form for the period, represents a dividend payout of 31.5%. The interim dividend will be paid on or around 28 November 2007 to shareholders whose names appear on the Register of Members of the Company on 12 October 2007, with an alternative to the shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment (the "Scrip Dividend Scheme").

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 26 October 2007. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that certificates for the new shares will be despatched to shareholders on or around 28 November 2007.

CLOSURE OF REGISTER

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

LIQUIDITY AND TREASURY POLICIES

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

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

SHARE CAPITAL AND FINANCIAL RESOURCES

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

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

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

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

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

ASSETS CHARGE

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

EMPLOYEES AND REMUNERATION

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

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

CORPORATE GOVERNANCE

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

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

Code Provision A.2.1

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

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

(b) **Compliance with Model Code**

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the unaudited interim report for the six months ended 30 June 2007.

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

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

INTERIM REPORT

The 2007 Interim Report will be despatched to shareholders and published on the The Stock Exchange of Hong Kong Limited's website (www.hkex.com.hk) and the Company's website (www.cmhi.com.hk) in due course.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 19 September 2007

As at the date hereof, the Board comprises Dr. Fu Yuning, Mr Li Yingquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Yu Liming and Mr. To Wing Sing as executive directors; and Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wah, Peter, Mr. Li Kwok Heem, John and Mr. Li Ka Fai, David as independent non-executive directors.