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)

Consolidated profit from continuing operation attributable to shareholders of the Group reached HK$2,019 million, up by 42.4%

Earnings per share from continuing operations: 83.89 HK cents, up by 38.2%

2008 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 2008 (the "Period") together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	**Unaudited** **2008** *HK$'million*	**2007** *HK$'million*
Continuing operations			
Revenue	2	3,365	2,863
Cost of sales	5	(2,025)	(1,801)
Gross profit		1,340	1,062
Other gains, net	4	174	53
Other income	4	18	12
Distribution costs	5	(173)	(164)
Administrative expenses	5	(243)	(241)
Operating profit		1,116	722
Finance income	6	9	25
Finance costs	6	(280)	(277)
Finance costs-net	6	(271)	(252)
Share of profits of associates		1,419	1,198
Share of profits of jointly controlled entities		87	39

	Note	Unaudited 2008 HK$'million	2007 HK$'million
Profit before taxation		2,351	1,707
Taxation	7	(159)	(134)
Profit for the period from continuing operations		2,192	1,573
Discontinued operations			
Profit for the period from discontinued operations	8	—	142
Profit for the period		2,192	1,715
Attributable to:			
Shareholders of the Company			
- continuing operations		2,019	1,418
- discontinued operations		—	102
		2,019	1,520
Minority interest			
- continuing operations		173	155
- discontinued operations		—	40
		173	195
Profit for the period		2,192	1,715
Dividends	9	675	479
Earnings per share for profit attributable to shareholders of the Company	10		
From continuing operations			
- basic (HK cents)		83.89	60.70
- diluted (HK cents)		83.44	60.28
From discontinued operations			
- basic (HK cents)		—	4.37
- diluted (HK cents)		—	4.34

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	**Unaudited 30 June 2008** *HK$'million*	**Audited 31 December 2007** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		2,513	3,750
Property, plant and equipment		12,215	11,201
Investment properties		787	692
Leasehold land and land use rights		6,841	6,605
Interests in associates		17,113	16,204
Interests in jointly controlled entities		2,604	2,368
Other financial assets		1,210	500
Prepayment		463	434
Deferred tax assets		25	36
		43,771	41,790
Current assets			
Inventories		332	324
Debtors, deposits and prepayments	11	2,597	1,895
Tax recoverable		—	1
Cash and cash equivalents		3,231	1,230
		6,160	3,450
Non-current asset held for sale	12	446	446
		6,606	3,896
Total assets		50,377	45,686

	Note	Unaudited 30 June 2008 *HK$'million*	Audited 31 December 2007 *HK$'million*
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		242	241
Reserves		29,488	26,601
		29,730	26,842
Minority interest		2,378	1,633
Total equity		32,108	28,475
LIABILITIES			
Non-current liabilities			
Other financial liabilities		9,875	7,091
Deferred tax liabilities		561	468
		10,436	7,559
Current liabilities			
Creditors and accruals	13	5,015	3,409
Taxation payable		33	37
Other financial liabilities		2,785	6,206
		7,833	9,652
Total liabilities		18,269	17,211
Total equity and liabilities		50,377	45,686
Net current liabilities		(1,227)	(5,756)
Total assets less current liabilities		42,544	36,034

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 **Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2008 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 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

(i) Interpretations that are effective for the Group's accounting periods beginning on or after 1 January 2008

- HK(IFRIC)-Int 11 'HKFRS 2 — Group and treasury share transaction'
- HK(IFRIC)-Int 12 'Service concession arrangements'
- HK(IFRIC)-Int 14 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'

The adoption of the above interpretations do not have any significant impact to the Group's financial statements.

(ii) Standards, amendments to standards and interpretations that have been issued but are not yet effective in 2008 and have not been early adopted by the Group

- HKAS 1 (Revised) 'Presentation of financial statements'
- HKAS 23 (Revised) 'Borrowing costs'
- HKAS 32 Amendment 'Financial instruments presentation' and consequential amendments HKAS 1 (Revised) 'Presentation of financial statements — puttable financial instruments and obligations arising on liquidation'
- HKFRS 1 (Revised) 'First-time adoption of Hong Kong Financial Reporting Standards' and HKAS 27 (Revised) 'Consolidation and separate financial statements'
- HKFRS 2 Amendment 'Share-based payment vesting conditions and cancellations'
- HKFRS 3 (Revised) 'Business combinations'
- HKFRS 8 'Operating segments'
- HK(IFRIC)-Int 13 'Customer loyalty programmes'
- HK(IFRIC)-Int 15 'Agreements for the construction of real estate'
- HK(IFRIC)-Int 16 'Hedges of a net investment in a foreign operation'

2 **Revenue**

The Group is principally engaged in ports and ports-related operations. Revenues recognised during the period are as follows:

	Six months ended 30 June 2008 *HK$'million*	2007 *HK$'million*
Continuing operations		
Ports service and transportation income, container service and container yard management income	2,042	1,461
Sale of paints and related goods	1,308	1,390
Gross rental income from investment properties	15	12
	3,365	2,863
Discontinued operations		
Sale of development properties	—	171
Total	3,365	3,034

3 **Segment information**

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

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

	Company and subsidiaries		Share of associates		Share of jointly controlled entities		Total	
	Six months ended 30 June							
	2008 *HK$'million*	2007 *HK$'million*	2008 *HK$'million*	2007 *HK$'million*	2008 *HK$'million*	2007 *HK$'million*	2008 *HK$'million*	2007 *HK$'million*
Continuing operations								
Ports operations	2,042	1,461	3,837	3,484	465	108	6,344	5,053
Ports-related operations	1,308	1,390	8,171	5,274	—	—	9,479	6,664
Other operations								
Property investment	15	12	—	—	—	—	15	12
	3,365	2,863	12,008	8,758	465	108	15,838	11,729
Discontinued operations								
Toll road	—	—	—	—	—	210	—	210
Property development	—	171	—	—	—	—	—	171
	—	171	—	—	—	210	—	381
	3,365	3,034	12,008	8,758	465	318	15,838	12,110

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

	Company and subsidiaries		Share of profits of associates		Share of profits of jointly controlled entities		Total	
	Six months ended 30 June							
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations								
Ports operations	874	606	1,149	891	87	39	2,110	1,536
Ports-related operations	150	144	270	307	—	—	420	451
Other operations								
Property investment	104	56	—	—	—	—	104	56
	1,128	806	1,419	1,198	87	39	2,634	2,043
Unallocated income less expenses							(12)	(84)
Finance income							9	25
Finance costs							(280)	(277)
Taxation							(159)	(134)
Profit for the period from continuing operations							2,192	1,573
Discontinued operations								
Toll road	—	17	—	—	—	119	—	136
Property development	—	13	—	—	—	—	—	13
	—	30	—	—	—	119	—	149
	1,128	836	1,419	1,198	87	158		
Finance income							—	7
Finance costs							—	(5)
Taxation							—	(9)
Profit for the period from discontinued operations							—	142
Profit for the period							2,192	1,715

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

	Segment assets		Interests in associates		Interests in jointly controlled entities		Segment liabilities		Total	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Ports operations	24,465	23,561	12,742	12,174	2,604	2,368	(5,714)	(8,945)	34,097	29,158
Ports-related operations	1,821	1,742	4,371	4,030	—	—	(938)	(929)	5,254	4,843
Other operations										
Toll road	446	446	—	—	—	—	—	—	446	446
Property investment	798	700	—	—	—	—	(5)	(5)	793	695
Others	44	19	—	—	—	—	—	—	44	19
	1,288	1,165	—	—	—	—	(5)	(5)	1,283	1,160
	27,574	26,468	17,113	16,204	2,604	2,368	(6,657)	(9,879)	40,634	35,161
Unallocated assets									3,061	609
Unallocated liabilities									(11,018)	(6,827)
Tax recoverable									—	1
Taxation payable									(33)	(37)
Deferred tax assets									25	36
Deferred tax liabilities									(561)	(468)
									32,108	28,475

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

	Capital expenditure		Depreciation and amortisation	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations				
Ports operations	846	3,012	339	262
Ports-related operations	5	24	7	7
Property investment	—	—	3	2
	851	3,036	349	271
Discontinued operations				
Property development	—	—	—	1
	851	3,036	349	272

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

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

	Revenue		Segment results	
	Six months ended 30 June		**Six months ended 30 June**	
	2008	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations				
Hong Kong	185	197	128	76
Mainland China	3,036	2,514	985	714
Others	144	152	15	16
	3,365	2,863	1,128	806
Unallocated income less expenses			(12)	(84)
Operating profit from continuing operations			1,116	722
Discontinued operations				
Mainland China	—	—	—	17
New Zealand	—	171	—	13
Revenue/operating profit from discontinued operations	—	171	—	30
Revenue/operating profit	3,365	3,034	1,116	752

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

	Segment assets		Capital expenditure	
	30 June	**31 December**	**Six months ended 30 June**	
	2008	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Hong Kong	1,148	1,013	7	1
Mainland China	26,426	25,455	844	3,035
	27,574	26,468	851	3,036

4 Other gains, net and other income

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June					
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Other gains, net						
Increase in fair value of investment properties	95	45	—	—	95	45
Gains on disposal of jointly controlled entities	—	—	—	13	—	13
Loss on disposal of property, plant and equipment	(2)	—	—	—	(2)	—
Net exchange gains	78	7	—	7	78	14
Others	3	1	—	—	3	1
	174	53	—	20	174	73
Other income						
Income from held-to-maturity investments	—	—	—	4	—	4
Dividend income	18	12	—	—	18	12
	18	12	—	4	18	16

5 Expenses by nature

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June					
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Cost of inventories sold	984	1,047	—	—	984	1,047
Cost of development properties sold	—	—	—	140	—	140
Depreciation of property, plant and equipment	296	220	—	1	296	221
Amortisation of leasehold land and land use rights	53	51	—	—	53	51
Other expenses	1,108	888	—	24	1,108	912
	2,441	2,206	—	165	2,441	2,371

6 Finance income and costs

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June					
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Finance income from:						
Bank deposits	8	24	—	7	8	31
Available-for-sale financial assets	1	1	—	—	1	1
Finance income	9	25	—	7	9	32
Interest expense on:						
Bank borrowings, wholly repayable within five years	(124)	(153)	—	(5)	(124)	(158)
Bank borrowings, not wholly repayable within five years	(10)	—	—	—	(10)	—
Listed notes payable, wholly repayable within five years	(5)	—	—	—	(5)	—
Listed notes payable, not wholly repayable within five years	(109)	(105)	—	—	(109)	(105)
Amount due to ultimate holding company	(24)	—	—	—	(24)	—
Other financial liabilities	(36)	(43)	—	—	(36)	(43)
Total borrowing costs incurred	(308)	(301)	—	(5)	(308)	(306)
Less: amount capitalised in assets under construction	28	24	—	—	28	24
Finance costs	(280)	(277)	—	(5)	(280)	(282)
Finance (costs)/income — net	(271)	(252)	—	2	(271)	(250)

Capitalisation rate of 6.2726% per annum (2007: 5.8628% 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 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to Enterprise Income Tax of the People's Republic of China (the "PRC Enterprise Income Tax") at a tax rate of 18% to 25% (2007: 10% to 15%) on assessable profits. The Group's certain major operating subsidiaries of the Group are exempted from PRC Enterprise Income Tax in the first two to five profit making years and followed by a 50% reduction in the PRC Enterprise Income Tax for the next three to five years thereafter.

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

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

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

8 **Discontinued operations**

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

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

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

9 **Interim dividend**

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

At a meeting held on 2 September 2008, the Directors proposed an interim dividend of 28 HK cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

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

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 2008			
Profit attributable to shareholders of the Company (HK$'million)	2,019	—	2,019
Weighted average number of ordinary shares in issue	2,406,596,139	2,406,596,139	2,406,596,139
Basic earnings per share (HK cents)	83.89	—	83.89
For the six months ended 30 June 2007			
Profit attributable to shareholders of the Company (HK$'million)	1,418	102	1,520
Weighted average number of ordinary shares in issue	2,335,778,185	2,335,778,185	2,335,778,185
Basic earnings per share (HK cents)	60.70	4.37	65.07

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

Diluted	**Continuing operations**	**Discontinued operations**	**Total**
For the six months ended 30 June 2008			
Profit attributable to shareholders of the Company (HK$'million)	2,019	—	2,019
Weighted average number of ordinary shares in issue	2,406,596,139	2,406,596,139	2,406,596,139
Adjustment for share options	13,158,055	13,158,055	13,158,055
Weighted average number of ordinary shares for diluted earnings per share	2,419,754,194	2,419,754,194	2,419,754,194
Diluted earnings per share (HK cents)	83.44	—	83.44
For the six months ended 30 June 2007			
Profit attributable to shareholders of the Company (HK$'million)	1,418	102	1,520
Weighted average number of ordinary shares in issue	2,335,778,185	2,335,778,185	2,335,778,185
Adjustment for share options	16,400,062	16,400,062	16,400,062
Weighted average number of ordinary shares for diluted earnings per share	2,352,178,247	2,352,178,247	2,352,178,247
Diluted earnings per share (HK cents)	60.28	4.34	64.62

11 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,668 million (2007: HK$1,668 million).

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

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

12 **Non-current asset held for sale**

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

13 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$717 million (2007: HK$615 million). The ageing analysis of trade creditors is as follows:

	30 June 2008	31 December 2007
	HK$'million	*HK$'million*
0 - 30 days	664	550
31 - 60 days	41	49
61 - 120 days	5	11
Over 120 days	7	5
	717	615

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2008, China's national economy grew as expected and, as a whole, maintained a satisfactory growing trend. Statistics released by the National Bureau of Statistics of China revealed that China's Gross Domestic Product grew 10.4%. Affected by factors such as the sub-prime crisis in the United States and a high oil price internationally, inflationary pressure heightened globally alongside the slowing down of the world's economic growth and the increasing uncertainties in economic development combined have intensified the complexity encountered by ports operators in responding to the prevailing international economic climate. Whilst China's economic growth has also reflected signs of slowing down, it has still maintained a relatively speedy pace. During the period under review, external economic environment together with the continuing RMB appreciation and increasing raw material costs have collectively led to a decreasing export growth and an increasing import growth in China's foreign trade, resulting in turn in an aggregate foreign trade growth of approximately 26%, or an increase of over 2 percentage point as compared to the same period last year. Notwithstanding a slower growth in China's foreign export during this period, Chinese exports to its major trade partners have continued to grow at a relatively satisfactory rate. According to data published by China's General Administration of Customs, China's exports during the first half of the year to the European Union member countries rose 27%, 9% for the US, 30% for the ASEAN countries, and respectively 15% and 36% for Japan and Korea. Currently, the European Union and the Asian countries have, in terms of export trade values, emerged as China's key trade partners. This to a certain extent has offset the adverse impact on foreign exports brought about by a slow-down in the US economy and effectively continued to fuel and support the development of China's container port business. Statistics released by the Ministry of Communications of China revealed that China's container throughput reached 61.65 million TEUs for the first half of this year, representing an increase of 17.1% over the same period last year.

Currently the Group's ports operations, its core business segment, are still primarily based in Mainland China. With the ASEAN and EU countries having become the major driving forces to sustain China's fast-growing international trade, the container throughput for the Group's ports in various regions has benefited from its focused market development efforts towards expanding Euro-Asian routes and hence continued to grow satisfactorily. During the first half of 2008, in response to the prevailing market's changing environment and competitive dynamics, and escalation in operating costs, the Group has initiated and implemented a series of measures - ranging from strategic development to internal control - with which to bring about the sustainable economic benefits to the Group as reflected in the more-than-satisfactory double-digit growth.

The Group's profit attributable to shareholders during the first half of the year was HK$ 2,019 million, an increase of 32.8% over that of last year, whereas its after-tax recurrent profit excluding net-of-tax exceptional items rose 27.4% to HK$1,932 million year-on-year. The share of EBITDA[Note 1] derived from the Group's ports operations relative to the Group's total EBITDA rose to 82% from 75% of last year.

During the period under review, the Group recorded revenue of HK$ 3,365 million, an increase of 10.9% over that of the corresponding period last year. Revenue of the Group's ports operations amounted to HK$2,042 million, representing an increase of 39.8% over that of last year.

Ports Operations

During the first half of 2008, EBIT[Note 2] derived from the Group's ports operations amounted to HK$2,457 million, representing a year-on-year increase of 41.1% and accounting for 79.8% of the Group's total EBIT.

During this period, the port projects in which the Group is interested handled a total container throughput volume of 25.14 million TEUs, an increase of 13% over that of last year. Of these, throughput volume handled by the Group's ports projects in Mainland China and Hong Kong were respectively 21.66 million TEUs and 3.48 million TEUs, representing a corresponding year-on-year increase of 15% and 4%

respectively. Amid market environment where the growth rate for exports has been slowing down, the Group's ports have continued to, on the one hand, step up their efforts in exploring target markets and, on the other hand, improve the operating efficiency and service quality through introduction of measures aimed to enhance internal control and encourage efficient deployment of resources. As a result, both shipping routes for, and the associated container throughput volumes handled by, the Group's ports have all recorded relatively significant increases alongside the claiming of expanded market shares in their respective regions. During the first half of 2008, container throughput handled by the Group's Western Shenzhen Port Zone totalled 5.86 million TEUs, or an increase of 18%, which has far exceeded the 7% throughput growth rate recorded by the entire Shenzhen area. The market share of Western Shenzhen Port Zone has, as a result, expanded by 5 percentage points over that of last year, to approximately 58%. The container throughput of the Group's Zhangzhou Terminal has accomplished its initial scale ramp-up with throughput reached 0.21 million TEUs during the period, an increase of 101% over the same period last year. Ningbo Daxie Terminal achieved a throughput volume of 0.48 million TEUs, a year-on-year increase of approximately 50% while Shanghai International Ports Group Co., Ltd ("SIPG") handled 13.82 million TEUs, an increase of 10% as compared to that of last year. Qingdao Terminal commenced its first full year operation in 2008 and, for the first half of the year, handled slightly under 0.2 million TEUs of through-put, whereas Tianjin Five Continents Terminal handled 0.96 million TEUs, an increase of 6%. Zhanjiang Port (Group) Co., Ltd. ("ZPG"), in which the Group invested at the end of last year, recorded a throughput volume of 0.13 million TEUs in the first half of 2008, representing an increase of 20% over the same period last year. In Hong Kong, Kwai Ching Container Terminals and the mid-stream operation, the Group's investment interests there, achieved a total container throughput of 3.48 million TEUs, a 4% increase year-on-year.

The Group's investment in ZPG has further enhanced the Group's handling capability in bulk and general cargoes. During the period under review, the total throughput of bulk and general cargoes handled by the Group rose 47% when compared to those of last year to reach 114.26 million tonnes. The volume of bulk and general cargoes handled by ZPG during the period stood at 31.31 million tonnes, a year-on-year increase of 37%. The Group is of the view that China's demand for resource-related and raw-material bulk commodities will persist for a long time into the future and expects that its investment in ZPG will enable the Group to derive economic benefits with which to further support the Group's development in ports operations. Enhancements in the handling capacity of berths at the Group's Zhangzhou Port have greatly facilitated its business growth: throughput handled rose 25% to 3.16 million tonnes. On the other hand, the bulk and general cargo operation of the Group's facilities at Western Shenzhen Port Zone continued to consolidate and recorded a total throughput of 17.12 million tonnes, a growth of approximately 3% year-on-year.

Stemmed from the perspective of pursuing integration of ports resources, the Group has, in addition to continuing to consolidate the customer groups for its ports assets at the Western Shenzhen Port Zone, endeavoured to expand the geographical coverage by, and further refine the network mapping of, these assets, all aiming towards improving the operating environment in the region while enhancing operational efficiency. At present, the coverage of the South China shuttle barge services has already extended to three provinces, viz. Guangdong, Guangxi and Hainan. The commuter service between ZPG and China Merchants Container Services Limited has also commenced. The Group's Western Shenzhen Port Zone possesses unique geographical advantage in attracting cargo sources generated along the coastal area of the Pearl River. Seamless connection between Western Shenzhen Port Zone and cargo origin locations in the Pearl River Delta is one of the factors for the throughput growth at the Western Shenzhen Port Zone. Developing the shuttle barge services has helped to effectively guide the directions of cargo flows. Extension of geographical coverage by these liner services combined with cargo sources penetration will facilitate closer co-operations between shipping companies and terminal operators and, in turn, elevate the overall competitiveness of the Western Shenzhen Port Zone to meet demand arising from the prevailing new market environment.

With a view to further expanding the reach-out by land of the Group's "home-base" ports at Western Shenzhen into the Pearl River Delta hinterland, the Group is in the course of establishing smooth inter-modal connections by linking up terminals by rail ("Sea-Rail link"). Such multi-modal linkage by rail is expected to release the efficiency potential provided by the container transport service under modern logistics and international container multi transport mode. It also avails the Group's target customers with another alternative for transportation routings. Whilst still at the beginning stage, the Group believes that the establishment of a smooth sea-rail inter-modal linkage network will enable its operations at Western Shenzhen Port Zone to expand both laterally and vertically and eventually become a new revenue source to add to the Group's business growth.

In recent years, the Group has initiated a series of on-going improvement measures that aim to continuously uplift the Group's competitiveness. These range from road network refinements within the ports zone, channel improvements, resources re-alignment alongside cost saving and environment protection measures. In addressing issues like soaring oil price and rising operating costs faced by shipping companies, with a view to achieving higher operating efficiency and offering better quality service, and to meeting demand for constructing cost-effective green port facilities, the Group has adopted means such as internal technical improvement of equipment, streamlining operation flow, etc in order to reduce energy consumption at terminals, a designated key task in the operational procedures of its ports. During the period under review, measures implemented include transforming diesel-driven equipment into electricity power-driven, and offering electricity as an alternative to vessels at terminal berthing (the "Alternative Maritime Power Service"), all in all to help the Group's port production and operation units to reduce energy consumption.

Furthermore, in response to the pressure of RMB appreciation, the Group has basically completed all liaision processes with its customers that were needed to have them agree to convert all foreign currency-based contracts into RMB-based contracts, thereby effectively mitigating the negative impact of exchange rate risks on the Group brought about by the RMB appreciation. The Group considers that this adjustment will protect the investment interests of its shareholders.

Ports-related operations

During the first half of 2008, EBIT generated by the Group's ports-related operations amounted to HK$519 million, representing an increase of 4.3% compared to that of last year. With the global economic development becoming increasingly uncertain due to the negative impact caused by the US sub-prime crisis, the performance of China International Marine Container (Group) Co., Ltd. (the "CIMC Group"), with its core business being closely related to the global economy and trade, the performance of the shipping industry and of China's manufacturing industry and export trade, has been directly affected by the current economic volatility. Its operating profit has, in particular, been impacted by the relatively significant price increases in raw materials such as steel and wood in the first half of 2008. Compared to the same period last year, the CIMC Group's sales volume has seen little increase during this period, as a result of the relatively weak demand from the shipping market. Sales of containers in the first half of 2008 totaled 1.043 million TEUs, an increase of 2.8% over those of last year. Sales of various kinds of vehicles totaled 71,000 units, a year-on-year increase of 14.6%.

Due also to the volatility in its market, the Group's subsidiary, Hempel-Hai Hong (China) Limited, sold a total of 50.77 million litres of paints during the first half of the year, a drop of 10% year-on-year.

Future prospects

According to the latest forecast by the International Monetary Fund (the "IMF") in July 2008, the global economy is expected to grow by 4.1% in 2008, which reflects a decrease of 0.9 percentage point from 2007, while the growth rates of major economies is expected to display different degrees of decline. During the period under review, China's economy has steered on track, maintaining an overall steady and rapid momentum that is in line with the forecast laid down under the macro-economic control scheme earlier implemented. Outlook for the second half of

2008 suggests that, with external demand expected to continue to weaken and prices of major cost factors to remain high, growth rate in China's export business is likely to be affected. Overall, however, the Group is of the opinion that the economy of the Asia region will continue its vibrant trend and that China's trades with Europe and the ASEAN countries will continue to do well. These factors combined will firmly support the continued growth of China's international trade and, in turn, its container terminal business for the long term. In the meantime, the Group is becoming aware of the increasing share of domestic-trade-related container throughput in China's total container throughput and the corresponding influencing force exerted by such throughput volume on the growth trend of China's total container throughput. The Group will closely monitor the development of container business for domestic trades in the future.

China's sustainable and steady economic growth has provided strong and solid support to the development of its ports. For five consecutive years to 2007, ports in China have been ranked No.1 in the world in terms of throughputs in cargoes and in container volume. In 2007, the number of ports which reported a handled cargo throughput in excess of 100 million tones reached 14, while container throughput handled by China, on the other hand, exceeded 100 million TEUs. At present, the Group's operation is primarily situated in Mainland China and Hong Kong and is at a good development stage, benefiting from the enormous China hinterland market together with its strong economic progress which provides a satisfactory operating environment for the Group's ports. While its business would inevitably be affected by the prevailing volatility of the global economy, the Group is confident in its ability to, through strategic adjustments and enhanced internal management, weather the pressure induced by such economic environment. In order to further strengthen the competitive positioning of the Group's "home-base" ports in Western Shenzhen and to continuously enhance their operating capability, the Group has consistently pursued integration of internal resources and improvement of efficiency, and continues to enhance its transhipment transportation network in South China waters through the South China shuttle barge services. In addition, the Group has been instigating to establish a seamless inter-modal network at the Western Shenzhen Ports Zone by, at this stage, linking up with the rail network. The Group firmly believes that equipping its ports assets at Western Shenzhen Port Zone with the shuttle barge services and the sea-rail inter-modal linkage in order to extend Western Shenzhen Port Zone's reach-out into the Southern China hinterland will ensure the Group's operation strength in Shenzhen is maintained.

Taking into consideration the development trends of China's major economic regions, the Group is of the view that the Pearl River Delta's position as China's major export processing region is unlikely to change radically for a considerable period of time. The pace of development at the Yangtze River Delta region is expected to remain rapid on the whole, particularly in the development of market economy, thereby well-positioning the Group to weather adverse impact that may be caused by possible economic changes. As regards the Bohai Rim, with the development of the Tianjin Binhai New Area and the commencement of operation of the Beijing-Tianjin intercity railway, the vast hinterland centred around, and covered by, Beijing and Tianjin is expected to give rise to new development opportunities. ZPG, representative of the Group's investment foothold in China's southwestern coastal region, is China's major receiving port for resource-based bulk commodities under China's current development plan. The continuing growth of China's economy and its growing consumption ability is expected to play a prominent role in supporting the development of dedicated bulk commodities business in the long term. In July 2008, Baosteel Group Corporation ("BGC") was brought in as an 8% strategic investor in ZPG as part of a new issue of shares by ZPG, which resulted in a modest dilution of the Group's stake in ZPG from 45% to 40.3%. The Group believes that this strategic investment tie-up, which marked another milestone in ZPG's corporate development, will furhter enhance not only the long-term co-operation between ZPG and BGC and also ZPG's position as a major delicated resource-based port in Southern China.

One differentiating edge uniquely possessed by the Group in terms of investments in, operating and managing ports is that not only is the Group involved in container stevedoring operations, it but also possesses extensive practical experience in the construction and operation of ports for bulk commodities business. With increasing industrialization and urbanization, sufficiency or otherwise of energy supply has become a crucial restrictive factor in the economic and social development of a location. Therefore, China has long-term demand for resource-based bulk commodities. Further, the appreciation of Renminbi will to a certain extent fuel China's import of bulk commodities. The Group believes that ports projects to handle dedicated bulk commodities will over time become one of the Group's important profits contributors.

The growth potential of a ports operation hinges up the establishment of a comprehensive logistics network in the proximity. To gradually derive benefits from and to enhance the functions of comprehensive logistics networks has been, and will continue to be, the Group's consistently prime task. As regarding the developing of ancillary logistics business, the Group's marine logistics business in Shenzhen has been progressing smoothly. The Group also expects Qingdao Logistics Park to soon realize its interactive functions through a physical link-up with the Group's terminal operations in the area. In addition, the Tianjin Dong Jiang Bonded Logistics and Processing Park, in which the Group is interested, will also commence operation by the end of the year. Currently, the Shenzhen City Municipality has already applied to the relevant State authorities for qualifying the Qianhaiwan area, at which the Group owns land designated for use by ports and related projects situated there, as one of China's bonded port zone and positive progress has been made. The official approval for qualifying the Qianhaiwan area as a bonded port zone, as and when received, will further enhance its attractiveness for export and import of cargoes to flow through. The award of such status is expected to directly benefit the Group's Western Shenzhen Ports Zone.

At the same time as it develops its container handling operations, the Group believes developing environmental-friendly green ports is the key trend for the future, and green ports will gradually become one of the major indicators of enhancing port competitiveness. Therefore, simultaneous as it expands its operations, the Group will, from the perspective of cost-saving and environmental-friendly construction, implement energy-saving modification and reduce fuel consumption, with a view to improving the economic and social benefits of ports operations.

In response to opportunities and challenges relating to ports operations, the Group will, on one hand, conduct in-depth research on macro-economy and trade environment as well as on micro-market changes, and the related dynamics for marine and terminal operations. It will, on the other hand, endeavour to capture appropriate investment opportunities for target projects with a view to optimizing the Group's interests. Meanwhile, given the current market trends towards operating larger-scale vessels and vessel companies forming alliances, the Group will further strengthen connections and co-operation with enterprises engaged in maritime sectors with a view to achieving mutually beneficial situations. The Group has established meaningful business relations with leading marine and shipping companies around the world and is business partner to many ports operator groups in Mainland China. Its ports have also worked closely among one another in respect of information exchange and resources sharing in order to achieve optimal benefits. The Group believes that, along its future development path, not only will it continue to maintain its leading position in the home market in the ports sector, it is also capable of demonstrating its operating capability in development projects overseas.

Note 1 : Earnings before net interests, tax, depreciation and amortisation, 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.

Liquidity and treasury policies

As at 30 June 2008, the Group had approximately HK$3,231 million in cash, 7.4% of which was denominated in Hong Kong dollars, 72.1% in US dollars and 19.7% 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$1,785 million in total. During the period, the Group incurred more than HK$851 million for its capital expenditures. 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 abundant cash 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 2008, the Company had 2,407,715,200 shares in issue. During the period, the Company issued 1,604,000 new shares upon the exercise of share options and received HK$32 million as a result. On 4 July 2008, the Company issued 3,758,457 shares under the Company's scrip dividend scheme.

As at 30 June 2008, the Group's outstanding interest-bearing debts were analyzed as below:

	30 June 2008	**31 December 2007**
	HK$'million	*HK$'million*
Floating-rate bank borrowings which are repayable *(Note)*:		
Within 1 year	2,723	2,294
Between 1 and 2 years	675	835
Between 2 and 5 years	1,464	1,726
Not wholly repayable within 5 years	—	650
	4,862	5,505
Fixed-rate listed notes payables are repayable:		
In 2013	2,320	—
In 2015	3,881	3,880
In 2018	1,535	—
	7,736	3,880

The interest bearing debts are denominated in the following currencies:

	30 June 2008			31 December 2007		
	Bank borrowings	Notes payable	Total	Bank borrowings	Notes payable	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
HKD & USD	2,913	7,736	10,649	3,861	3,880	7,741
RMB	1,949	—	1,949	1,644	—	1,644
	4,862	7,736	12,598	5,505	3,880	9,385

Note: all bank borrowings are unsecured except for HK$2 million in 2007

As at 30 June 2008, the Group's gearing ratio (total interest-bearing debts divided by net assets) was about 42.4%.

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

Assets charge

As at 30 June 2008, the Group did not have any charge over its assets.

Employees and remuneration

As at 30 June 2008, the Company and its subsidiaries employed 5,832 full time staff, of which 62 were working in Hong Kong, and the remaining 5,770 were working in the PRC. The remuneration paid for the period amounted to HK$323 million, representing 13.2% 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.

INTERIM DIVIDEND

In order to reward investors' continuous support of the Group, the Board has declared an interim dividend of 28 HK cents per share in scrip form for the period, represents a dividend payout of 33.4%. The interim dividend will be paid on or around 26 November 2008 to shareholders whose names appear on the Register of Members of the Company on 10 October 2008, 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 24 October 2008. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that certificates for the new shares will be despatched to shareholders on or around 26 November 2008.

CLOSURE OF REGISTER

The Register of Members will be closed from 6 October 2008 to 10 October 2008 (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 3 October 2008. The interim dividend will be paid on or around 26 November 2008 to shareholders whose names appear on the Register of Members of the Company on 10 October 2008.

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 Managing Director of the Company with effect from 31 May 2005, from which date on Dr. Fu Yuning, Chairman of the Company, has also been acting as Managing Director of the Company. Having performed the roles of Chairman and Managing Director of the Company for over three years, the Board considers that Dr. Fu has been leading the Company and is most aware of the Company's strategic policies and development. The Board further considers that it is therefore in the best interests of the Company for the roles of Chairman and Managing Director to be combined and continued to be performed by Dr. Fu in order to facilitate the efficient formulation and implementation of the Company's strategies thereby enabling the Company to smoothly progress as it has been and to capture business opportunities promptly and efficiently as they arise.

(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 results for the six months ended 30 June 2008.

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 2008 Interim Report will be despatched to shareholders and published on the designated website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cmhi.com.hk) in due course.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 2 September 2008

As at the date hereof, the Board comprises Dr. Fu Yuning, Mr Li Yinquan, 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.