招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

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

(Stock Code: 00144)

- Throughput of containers handled reached 50.16 million TEUs, up 8.9% (2016: 46.07 million TEUs)
- Throughput of bulk cargoes handled reached 249 million tonnes, up 14.6% (2016: 217 million tonnes)
- Profit attributable to equity holders of the Company
  - √ HK$3,148 million, up 86.3% (2016: HK$1,690 million)
  - √ HK$2,453 million, up 18.7%, from ports operation (2016: HK$2,067 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$2,269 million, up 37.1% (2016: HK$1,655 million)
  - √ HK$2,452 million, up 20.7%, from ports operation (2016: HK$2,032 million)
- Basic earnings per share totaled 100.62 HK cents, up 84.7% (2016: 54.49 HK cents)
- Interim dividend of 22 HK cents per share (2016: 22 HK cents per share) and Special Interim Dividend of 135 HK cents per share (2016: nil) celebrating the 25th listing anniversary

2017 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	**Unaudited** **2017** *HK$'million*	**2016** *HK$'million*
Revenue	2	4,055	3,847
Cost of sales		(2,291)	(2,206)
Gross profit		1,764	1,641
Other income and other gains, net	4	1,026	159
Administrative expenses		(530)	(460)
Operating profit		2,260	1,340
Finance income	5	36	28
Finance costs	5	(582)	(445)
Finance costs, net	5	(546)	(417)
Share of profits less losses of			
Associates		1,861	1,267
Joint ventures		203	156
		2,064	1,423
Profit before taxation		3,778	2,346
Taxation	6	(302)	(356)
Profit for the period	7	3,476	1,990
Attributable to:			
Equity holders of the Company		3,148	1,690
Non-controlling interests		328	300
Profit for the period		3,476	1,990
Dividends	8	4,980	575
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		100.62	54.49
Diluted (HK cents)		100.62	54.49

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited	
	2017	**2016**
	HK$'million	*HK$'million*
Profit for the period	3,476	1,990
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	2,553	(973)
Increase/(decrease) in fair value of available-for-sale financial assets, net of deferred taxation	470	(1,593)
Share of investment revaluation reserve of associates	167	(24)
Release of reserves upon disposal of a subsidiary	(57)	—
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	(19)	21
Total other comprehensive income/(expense) for the period, net of tax	3,114	(2,569)
Total comprehensive income/(expense) for the period	6,590	(579)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	5,898	(769)
Non-controlling interests	692	190
	6,590	(579)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	**Unaudited 30 June 2017** *HK$'million*	**Audited 31 December 2016** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		2,868	2,791
Intangible assets		5,743	5,407
Property, plant and equipment		18,666	18,459
Investment properties		7,773	7,455
Land use rights		7,406	7,265
Interests in associates		37,046	43,020
Interests in joint ventures		9,325	8,909
Other financial assets		3,878	3,350
Other non-current assets		666	395
Deferred tax assets		47	49
		93,418	97,100
Current assets			
Inventories		91	77
Debtors, deposits and prepayments	10	4,073	2,296
Taxation recoverable		2	3
Cash and bank balances		15,424	3,637
		19,590	6,013
Total assets		113,008	103,113

	Note	Unaudited 30 June 2017 HK$'million	Audited 31 December 2016 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		34,767	19,548
Mandatory convertible securities		—	15,219
Reserves		30,048	29,434
Proposed dividends	8	4,980	1,707
		69,795	65,908
Non-controlling interests		8,470	7,830
Total equity		78,265	73,738
LIABILITIES			
Non-current liabilities			
Loans from shareholders		58	279
Other financial liabilities		19,584	16,793
Other non-current liabilities		1,158	1,186
Deferred tax liabilities		1,846	1,973
		22,646	20,231
Current liabilities			
Creditors and accruals	11	4,436	3,497
Loans from shareholders		119	399
Other financial liabilities		7,333	4,963
Taxation payable		209	285
		12,097	9,144
Total liabilities		34,743	29,375
Total equity and liabilities		113,008	103,113
Net current assets/(liabilities)		7,493	(3,131)
Total assets less current liabilities		100,911	93,969

NOTES:

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2016 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**") is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

During the period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA. The adoption of these amendments to HKFRSs has had no material effect on the amounts reported in or disclosures set out in this condensed consolidated interim financial information.

2 Revenue

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

	Six months ended 30 June	
	2017	**2016**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	3,821	3,646
Logistics services income	199	201
Gross rental income from investment properties	35	—
	4,055	3,847

3 Segment information

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

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

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

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. In prior years, ports operation was evaluated on a geographic basis, including Pearl River Delta excluding Hong Kong, Hong Kong, Yangtze River Delta, other locations in Mainland China, Hong Kong and Taiwan, and other locations outside of Mainland China, Hong Kong and Taiwan. To better reflect the expansions of the Group's ports operation and assessment of performance across different operating units and allocations of resources thereto, the CODM modified the geographical setting in the Group's internal reports to Pearl River Delta, Yangtze River Delta, Bohai Rim and other locations in Mainland China, Hong Kong and Taiwan, and other locations outside of Mainland China, Hong Kong and Taiwan.

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

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta
- Yangtze River Delta
- Bohai Rim
- Others

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

(ii) Bonded logistics operation includes logistics park operation, ports transportation and airport cargo handling operated by the Group and its associates.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate. Following the disposal of its entire interest in Soares Limited, a wholly-owned subsidiary of the Company whose principal asset was the Group's entire interest in an associate engaging in the port-related manufacturing operation, the segment information in this segment reported to the Group's CODM is up to the date of such disposal.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

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

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

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

There was no single customer who accounted for over 10% of the Group's total revenue in any of the six-month periods ended 30 June 2017 and 2016.

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

	Revenue		**Non-current assets**	
	Six months ended 30 June		**30 June**	**31 December**
	2017	**2016**	**2017**	**2016**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	3,306	3,270	69,667	74,650
Other locations	749	577	19,826	19,051
	4,055	3,847	89,493	93,701

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

REVENUE

	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others						
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
For the six months ended 30 June 2017										
Company and subsidiaries	2,869	—	35	168	749	3,821	199	—	35	4,055
Share of associates	481	4,766	1,029	—	542	6,818	82	9,265	2,545	18,710
Share of joint ventures	5	210	607	546	154	1,522	—	—	1	1,523
Total segment revenue	3,355	4,976	1,671	714	1,445	12,161	281	9,265	2,581	24,288
For the six months ended 30 June 2016 (restated)										
Company and subsidiaries	2,838	—	47	184	577	3,646	201	—	—	3,847
Share of associates	450	4,511	1,417	—	621	6,999	134	6,599	2,235	15,967
Share of joint ventures	8	181	527	537	145	1,398	—	—	—	1,398
Total segment revenue	3,296	4,692	1,991	721	1,343	12,043	335	6,599	2,235	21,212

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

	For the six months ended 30 June 2017											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,075	77	44	19	315	1,530	68	813	102	(253)	(151)	2,260
Share of profits less losses of												
– Associates	126	961	57	–	258	1,402	(2)	187	274	–	274	1,861
– Joint ventures	–	66	137	(22)	30	211	–	–	(8)	–	(8)	203
	1,201	1,104	238	(3)	603	3,143	66	1,000	368	(253)	115	4,324
Finance costs, net	(5)	–	–	(12)	(112)	(129)	(20)	–	(21)	(376)	(397)	(546)
Taxation	(155)	(50)	(9)	(4)	(15)	(233)	(14)	(17)	(38)	–	(38)	(302)
Profit/(loss) for the period	1,041	1,054	229	(19)	476	2,781	32	983	309	(629)	(320)	3,476
Non-controlling interests	(274)	–	–	–	(54)	(328)	(1)	–	1	–	1	(328)
Profit/(loss) attributable to equity holders of the Company	767	1,054	229	(19)	422	2,453	31	983	310	(629)	(319)	3,148
Other information:												
Depreciation and amortisation	396	–	3	55	202	656	46	–	–	8	8	710
Capital expenditure	552	–	–	71	13	636	9	–	23	–	23	668

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

	For the six months ended 30 June 2016 (restated)											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Operating profit/(loss)	1,098	41	43	39	172	1,393	87	–	(5)	(135)	(140)	1,340
Share of profits less losses of												
– Associates	93	856	48	–	295	1,292	3	(121)	93	–	93	1,267
– Joint ventures	(2)	54	107	(16)	13	156	–	–	–	–	–	156
	1,189	951	198	23	480	2,841	90	(121)	88	(135)	(47)	2,763
Finance costs, net	(21)	–	–	(15)	(95)	(131)	(12)	–	–	(274)	(274)	(417)
Taxation	(241)	(85)	(7)	(6)	(5)	(344)	(15)	11	(6)	(2)	(8)	(356)
Profit/(loss) for the period	927	866	191	2	380	2,366	63	(110)	82	(411)	(329)	1,990
Non-controlling interests	(288)	–	–	(8)	(3)	(299)	(1)	–	–	–	–	(300)
Profit/(loss) attributable to equity holders of the Company	639	866	191	(6)	377	2,067	62	(110)	82	(411)	(329)	1,690
Other information:												
Depreciation and amortisation	424	–	1	57	187	669	47	–	–	5	5	721
Capital expenditure	291	–	1	39	217	548	43	–	3,081	291	3,372	3,963

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

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

	As at 30 June 2017										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	23,367	4,617	936	3,109	11,483	43,512	2,556	7,839	12,681	20,520	66,588
Interests in associates	2,854	18,910	4,327	2	6,484	32,577	395	4,074	—	4,074	37,046
Interests in joint ventures	3	956	2,548	2,719	3,061	9,287	—	38	—	38	9,325
Total segment assets	26,224	24,483	7,811	5,830	21,028	85,376	2,951	11,951	12,681	24,632	112,959
Taxation recoverable											2
Deferred tax assets											47
Total assets											113,008
LIABILITIES											
Segment liabilities	(2,360)	—	(35)	(1,246)	(6,214)	(9,855)	(1,093)	(2,226)	(19,514)	(21,740)	(32,688)
Taxation payable											(209)
Deferred tax liabilities											(1,846)
Total liabilities											(34,743)

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

	As at 31 December 2016 (restated)											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others								
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	21,647	3,311	751	3,084	11,156	39,949	2,499	—	7,394	1,290	8,684	51,132
Interests in associates	2,823	18,103	4,187	1	5,934	31,048	388	7,864	3,720	—	3,720	43,020
Interests in joint ventures	7	861	2,338	2,648	3,010	8,864	—	—	45	—	45	8,909
Total segment assets	24,477	22,275	7,276	5,733	20,100	79,861	2,887	7,864	11,159	1,290	12,449	103,061
Taxation recoverable												3
Deferred tax assets												49
Total assets												103,113
LIABILITIES												
Segment liabilities	(2,454)	—	(42)	(1,273)	(6,367)	(10,136)	(1,153)	—	(3,086)	(12,742)	(15,828)	(27,117)
Taxation payable												(285)
Deferred tax liabilities												(1,973)
Total liabilities												(29,375)

4 Other income and other gains, net

	Six months ended 30 June	
	2017	**2016**
	HK$'million	*HK$'million*
Dividend income from available-for-sale financial assets	84	109
Increase in fair value of investment properties	87	47
Gain on disposal of a subsidiary	813	—
Gain on disposal of property, plant and equipment	6	1
Net exchange gains/(losses)	5	(44)
Others	31	46
	1,026	159

5 Finance income and costs

	Six months ended 30 June	
	2017	**2016**
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	30	25
Others	6	3
	36	28
Interest expense on:		
Bank loans	(203)	(120)
Listed notes payable	(278)	(278)
Unlisted notes payable	(63)	(25)
Loans from:		
– non-controlling equity holders of subsidiaries	(11)	(9)
– a fellow subsidiary	(13)	—
– shareholders	(11)	(23)
Others	(20)	(14)
Total borrowing costs incurred	(599)	(469)
Less: amount capitalised on qualifying assets (Note)	17	24
Finance costs	(582)	(445)
Finance costs, net	(546)	(417)

Note:

Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 4.08% per annum (2016: 4.53% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of People's Republic of China (the "**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

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

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

	Six months ended 30 June	
	2017	**2016**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong profits tax	1	1
PRC corporate income tax	141	221
Overseas profits tax	1	—
Withholding income tax	128	173
Deferred taxation		
Origination and reversal of temporary differences	31	(39)
	302	356

7 **Profit for the period**

	Six months ended 30 June	
	2017	**2016**
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	719	743
Depreciation of property, plant and equipment	549	558
Amortisation of intangible assets and land use rights	161	163
Operating lease rentals in respect of		
– land and buildings	108	121
– plant and machinery	39	12

8 **Dividends**

	Six months ended 30 June	
	2017	**2016**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2016: 22 HK cents) per ordinary share	698	575
Special Interim Dividend of 135 HK cents (2016: nil) per ordinary share	4,282	—
	4,980	575

At a meeting held on 31 August 2017, the Board proposed (i) an interim dividend of 22 HK cents per ordinary share and (ii) a Special Interim Dividend of 135 HK cents per ordinary share, both of which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such interim dividend and the Special Interim Dividend (or part thereof) in cash in lieu of such allotment. These proposed dividends are not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

The amounts of interim dividend for 2017 and the Special Interim Dividend were based on 3,172,077,487 (2016: 2,615,711,778) shares in issue as at 31 August 2017.

9 Earnings per share

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

	Six months ended 30 June 2017	2016
Basic		
Profit attributable to equity holders of the Company (HK$'million)	3,148	1,690
Weighted average number of ordinary shares in issue (Note (a))	3,128,867,827	3,102,288,692
Basic earnings per share (HK cents)	100.62	54.49
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	3,148	1,690
Weighted average number of ordinary shares in issue (Note (a))	3,128,867,827	3,102,288,692
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	—	1,013
Weighted average number of ordinary shares for diluted earnings per share	3,128,867,827	3,102,289,705
Diluted earnings per share (HK cents)	100.62	54.49

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the period and (ii) the ordinary shares issued upon conversion of the Mandatory Convertible Securities ("**MCS**") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS before and after its conversion to ordinary shares, have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represented the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options except for those with exercise price higher than the average market price of the Company's shares for the period ended 30 June 2016. Calculation to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) was based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. All outstanding share options had expired in 2016 and there was no outstanding share option in the current period.

10 **Debtors, deposits and prepayments**

Debtors, deposits and prepayments balance includes trade debtors of HK$1,258 million (31 December 2016: HK$810 million).

The Group has a credit policy of allowing an average credit period of 90 days (2016: 90 days) to its trade customers. The ageing analysis of the trade debtors, based on the invoice date, net of provision for impairment of trade debtors is as follows:

	30 June 2017	**31 December 2016**
	HK$'million	*HK$'million*
0 - 90 days	1,124	742
91 - 180 days	84	47
181 - 365 days	41	17
Over 365 days	9	4
	1,258	810

11 **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$327 million (31 December 2016: HK$275 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2017	**31 December 2016**
	HK$'million	*HK$'million*
0 - 90 days	220	199
91 - 180 days	16	9
181 - 365 days	21	7
Over 365 days	70	60
	327	275

INTERIM DIVIDEND, SPECIAL INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$698 million for the six months ended 30 June 2017 (representing a dividend payout of 22.2%) and a Special Interim Dividend of 135 HK cents per share celebrating the 25th listing anniversary of the Company ("**Special Interim Dividend**") by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend and the Special Interim Dividend (or part thereof) in cash in lieu of such allotment (2016: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 16 November 2017 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 3 October 2017 (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 6 October 2017. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend and the Special Interim Dividend warrants and certificates for the new shares will be despatched to shareholders on or around 16 November 2017.

CLOSURE OF REGISTER

The Register of Members will be closed from 25 September 2017 to 3 October 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend and the Special Interim Dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 22 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

In the first half of 2017, the global economy continued its recovery momentum from the second half of 2016. The economic indicators of the second quarter this year indicated continuous growth of economic activities around the world. In particular, although the growth of global trade and industrial production has slowed down from the high speed as at the end of 2016 and at the beginning of 2017, it was still much faster than that of the period from 2015 to 2016. Purchasing Managers' Index indicated that the manufacturing industry and the service industry remained robust. Among the advanced economies, the US economy recorded soften growth in the first quarter this year, but was still recovering at a faster pace as compared to other developed economies; the economic growth in the Euro Zone remained stable; and Japan witnessed better-than-expected economic growth. The economic activities in emerging economies and developing economies increased significantly. While the Chinese government carried out supply-side reform (including reduction of excessive industrial capacity), the Chinese economy maintained stable growth. Indonesia recorded impressive growth and sustained good momentum, and the other ASEAN-5 economies also recorded strong growth in general, while the Middle East, North Africa, Afghanistan and Pakistan experienced a significant slow-down. The economic prospects of the large emerging economies such as Brazil and Russia are gradually improving.

According to the "World Economic Outlook" published by the International Monetary Fund ("**IMF**") in July 2017, with the support of a buoyant financial market and a long-awaited cyclical recovery in manufacturing and trade sectors, global economic growth is projected to rise from 3.2% in 2016 to 3.5% in 2017 and 3.6% in 2018. The growth forecast for 2017 is 2.0% for developed economies, up 0.3 percentage point from that of 2016; and 4.6% for emerging markets and developing economies, up 0.3 percentage point from that of 2016. Global trade volume (including goods and services) is predicted to grow by 4.0%, up 1.7 percentage points as compared to that of 2016.

During the period under review, China maintained a positive upward trend with a Gross Domestic Product ("**GDP**") growth of 6.9% year-on-year. Due to the rebound of foreign trade, total import and export value amounted to US$1,909.5 billion, representing a year-on-year increase of 13.0%, of which total export value was US$1,047.3 billion, indicating an increase of 8.5% year-on-year, while total import value was US$862.2 billion, representing an increase of 18.9% year-on-year.

Benefitted from the restorative growth of China's domestic demand and the good performance of import and export trade, according to the data published by the Ministry of Transport of China, the container throughput handled by Chinese ports of significant scale totalled 115 million TEUs during the first half of 2017, representing a year-on-year increase of 8.8%, up 6.3 percentage points as compared to the growth rate of the same period last year. Of which, 102 million TEUs were handled by coastal ports, representing a year-on-year increase of 7.8%, up 5.4 percentage points as compared to the growth rate of the same period last year.

During the six months ended 30 June 2017, the Group's ports handled a total container throughput of 50.16 million TEUs (2016: 46.07 million TEUs), grew by 8.9% as compared with the same period last year, and bulk cargo volume of 249 million tonnes (2016: 217 million tonnes), grew by 14.6% as compared with the same period last year. Profit attributable to equity holders of the Company amounted to HK$3,148 million, representing an increase of 86.3% over the same period last year. Of this amount, profit of core ports operation attributable to equity holders of the Company amounted to HK$2,453 million, representing an increase of 18.7% over the same period last year. EBITDA[Note 1] of the Group's core ports operation amounted to HK$5,891 million, up by 9.2% year-on-year, accounting for 78.5% of the Group's total.

Taking into consideration the operating results in the first half of 2017 and the anticipated need for future development, the Board declared an interim dividend of 22 HK cents per share. Moreover, 2017 is the 25th anniversary of the Company's listing. To express our gratitude to our shareholders for their continuous support, the Board also declared a one-off Special Interim Dividend of 135 HK cents per share in celebration of the 25th anniversary of listing.

Business review

Ports operation

In the first half of the year, the Group's ports handled a total container throughput of 50.16 million TEUs, up by 8.9% year-on-year, enabling the Group to sustain its leading position among port operators in China. The growth of the period was mainly benefitted from the cyclical recovery in the manufacturing and trading sectors and good growth momentum of regional economic performance in China. Among which, the Group's ports in Mainland China contributed container throughput of 37.88 million TEUs, indicating an increase of 9.9% year-on-year. The Group's ports in Hong Kong and Taiwan contributed an aggregate container throughput of 3.74 million TEUs, representing a growth of 20.9% year-on-year. Total container throughput handled by the Group's overseas ports was 8.54 million TEUs, which remained at the same level of that over the same period last year. Bulk cargo volume handled by the Group's ports increased by 14.6% year-on-year to 249 million tonnes, within which bulk cargo volume handled by ports in Mainland China totalled 246 million tonnes, representing an increase of 15.1% year-on-year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen handled a total container throughput of 5.56 million TEUs in the first half of the year, up by 4.6% year-on-year, of which international container throughput totalled 5.15 million TEUs, up by 4.7% year-on-year, outperforming the overall Shenzhen port. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 0.68 million TEUs, up by 3.3% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 10.45 million tonnes, up by 40.0% year-on-year, mainly driven by the growth in grain business. Dongguan Machong Terminal maintained a rapid growth with bulk cargo

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

volume of 7.31 million tonnes handled during the period, representing an increase of 28.7% year-on-year. The total container throughput handled by ports in Hong Kong increased by 10.5% year-on-year in the first half of the year, of which the container throughput handled by the ports in Kwai Tsing area increased by 11.0% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 2.91 million TEUs in the first half of the year, up by 29.0% year-on-year, which outperformed the overall market of Hong Kong.

Yangtze River Delta region

In the first half of the year, Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a total container throughput of 19.60 million TEUs, up by 9.6% year-on-year, and bulk cargo volume of 83.53 million tonnes, up by 20.1% year-on-year, which was mainly driven by the increase in import and export volume benefitted from recovery of trade and the increase in number of shipping routes due to reorganisation of the alliances formed by shipping companies. As affected by the adjustment of certain shipping routes, Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a total container throughput of 1.64 million TEUs in the first half of the year, representing an increase of 29.4% year-on-year.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a total container throughput of 5.30 million TEUs and bulk cargo volume of 62.85 million tonnes, representing an increase of 21.6% and 36.2% year-on-year respectively. Qingdao Qianwan United Container Terminal Co., Ltd. handled a total container throughput of 3.24 million TEUs, representing a decrease of 1.0% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 6.41 million tonnes, representing a decrease of 6.5% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 27.91 million tonnes, indicating a decrease of 6.9% year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 1.24 million TEUs, representing a decrease of 1.3% year-on-year.

South-East region of Mainland China

Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**"), located in Xiamen Bay Economic Zone, handled a container throughput of 0.20 million TEUs during the first half of the year, up 34.3% year-on-year, mainly benefitted from the increase in domestic shipping routes. The commencement of environmental remediation in the hinterland of ZCMP has resulted in a decline in demand for some industries. Bulk cargo volume handled by ZCMP amounted to 4.22 million tonnes, down by 16.5% year-on-year.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.42 million TEUs, up by 33.9% year-on-year; and a total bulk cargo volume of 42.84 million tonnes, which remained at the same level of that over the same period last year.

Taiwan

Kao Ming Container Terminal Corporation in Taiwan handled a total container throughput of 0.83 million TEUs in the first half of the year, reflecting a slight decrease of 1.0% year-on-year.

Overseas operation

During the first half of the year, total container throughput handled by the Group's overseas operation amounted to 8.54 million TEUs, which remained basically the same as that of the corresponding period of last year, among which container throughput handled by Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka rose significantly by 21.2% year-on-year to 1.11 million TEUs. Container throughput handled by Lomé Container Terminal S.A. in Togo amounted to 0.36 million TEUs, significantly up by 42.2% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.20 million TEUs, representing a slight decrease of 0.8% year-on-year. Container throughput handled by Port de Djibouti S.A. in Djibouti amounted to 0.48 million TEUs, down by 3.7% year-on-year. Terminal Link SAS, which disposed its 20% equity interests in Xinhaida project in Xiamen at the beginning of this year, handled container throughput of 5.97 million TEUs, representing a decrease of 4.6% year-on-year or an increase of 5.5% year-on-year if excluding the container throughput handled by Xinhaida project in Xiamen last year. Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey handled container throughput of 0.41 million TEUs, representing an increase of 12.6% year-on-year.

Strategic deployments in the ports operation

During the first half of 2017, moving towards its core goal of "to be a world's leading comprehensive port service provider", the Group proposed the operation philosophy of "enhancing capability, improving efficiency and quality, striving for self-improvement and integrating to achieve mutual benefits". The Group continued to strengthen its strategic management and control, and constantly optimised and refined its strategic plans and strategy research with a focus on strengthening the implementation of strategic operation and further enhancing the target management at all levels. It also stepped up its efforts in decomposition and evaluation of strategic performance indicators to highlight the weight attributable to evaluation of strategic planning and all-round assessment, thereby establishing a top-down system that can effectively break down tasks and allocate responsibilities. Meanwhile, the Group effectively facilitated strategy research on various aspects, including the comprehensive development model of "Port-Park-City", "Port-Shipping Integration" and the comprehensive port ecosystem.

Regarding the development of its West Shenzhen homebase port, the Group proactively promoted resources consolidation and made steady progress in various fundamental works. As for the upgrade of hardware of West Shenzhen Port Zone, phase II of Tonggu Channel and Western Public Channel have commenced substantial construction while all preparatory work of the "Mawan smart ports" project at the preliminary stage has been completed. As for strengthening the intelligent management of its West

Shenzhen homebase port, the "E-port" project has been making satisfactory progress. The construction of phase II was well underway, and the preliminary research on extending the "E-port" project to financial services has been carried out in an orderly manner. The development of the "Comprehensive Service Platform", which aims at enhancing and improving the environment for the customs clearance service in the bonded logistics park, has been officially established and progressing in an orderly manner. The construction of "EDI" platform has also commenced, and deployment tests have been conducted on Tencent's cloud platform. Various payment methods including WeChat and Alipay have been introduced and launched officially on the online and offline platforms of "ePay". The Qianhai Sub-platform of International Trade "Single Window", which helps trade facilitation, was officially put into operation.

As for overseas expansion, by seizing the development opportunities arising from the "Belt and Road" initiative promoted by China, the Group reviewed its development strategy for its overseas projects and that of key overseas regions with a view to optimising the layout of its overseas operation. On 29 July 2017, the Group entered into a concession agreement in relation to Hambantota Port so as to further push ahead with the construction of an overseas homebase port in Sri Lanka. The Group actively participates in the planning and construction of its ports and port-related business by leverging on the development potential and advantages of different regions.

With respect to the Chinese port market, the Group continued to capitalise on the opportunities arising from the ports consolidation and the coordinated development of ports and cities in China so as to expand its port network in China and optimise the structure of domestic ports resources. It has also designed a multi-beneficial cooperation model based on the port condition of different regions and resources available in various hinterlands. On 10 April 2017, the Group entered into a subscription agreement to acquire 60% of the equity interest in Shantou Ports Group Corp Co., Ltd., which will further strengthen the Group's port network in Southern China. The transaction was completed on 9 August 2017.

With regard to innovative development, the Group promoted the "Internet + Port" business model in an innovative and orderly manner in the first half of the year, while proactively expanding its projects, including the integrated electronic bulk trading platform for grains cooperated with COFCO Corporation, and establishment of the joint venture Silk Road E-Merchants Information Technologies Co., Ltd. with IZP Group. The Group also established a special working group for innovations to promote the establishment of a comprehensive port ecosystem on the foundation of ports operation. It also enhanced the synergy and cooperation between the involved parties in port business and strengthened its ability in creating values for customers through innovation of business models and cross-sector integration, which would facilitate its business expansion towards middle and high end of the ports value chain, thereby realising the transformation from a terminal operator to a comprehensive port services provider.

Bonded logistics operation

During the first half of the year, the Group's bonded logistics business performed differently. The utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen decreased to 75.8% due to the change of customs policies. China Merchants International Terminal (Qingdao) Co., Ltd. in Qingdao achieved a substantial increase in the natural flow of goods in the industrial zone by making full use of its resources to develop self-operated business and the warehouse utilisation rate was 100%. Tianjin Haitian Bonded Logistics Co., Ltd., an associate of the Group, recorded an utilisation rate of 64.0% of its warehouses in the first half of the year, representing a decrease attributable to the impact brought by the Tianjian Port Explosion and relevant customs policies in respect of cross-border e-commerce.

During the first half of 2017, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 2.04 million tonnes, representing an increase of 9.1% year-on-year. Asia Airfreight Terminal Company Limited, in which the Group has interest, handled a total cargo volume of 0.26 million tonnes, representing a decrease of 11.8% year-on-year, and a market share of 12.7%, down by 3 percentage points year-on-year.

Financial review

For the six months ended 30 June 2017, the Group's revenue[Note 2] amounted to HK$24,288 million, up 14.5% over the same period last year, mainly resulted from an increase in the revenue contribution from China International Marine Containers (Group) Co., Ltd. ("**CIMC**") due to the influence of the recovery in global trade. During the period, revenue from core ports operation increased by 1.0% over the same period last year to HK$12,161 million, offset by the influence of RMB depreciation, as a result of a rise in business volume. Profit attributable to equity holders of the Company amounted to HK$3,148 million, up 86.3% over the same period last year, of which the Group completed the disposal of equity interest in CIMC during the current period and recognised disposal gain of approximately HK$813 million. Profit attributable to equity holders of the Company derived from the core ports operation amounted to HK$2,453 million, representing an increase of 18.7% over the same period last year.

As at 30 June 2017, total assets of the Group increased by 9.6% from HK$103,113 million as at 31 December 2016 to HK$113,008 million. Net assets attributable to equity holders of the Company was HK$69,795 million as at 30 June 2017, representing an increase of 5.9% from that as at 31 December 2016, mainly resulted from an increase in fair value of the Group's available-for-sales financial assets and exchange differences from retranslation of foreign investments.

In general, the Group's ports operation continued to yield stable cash inflow. However, due to decrease in dividend receipts from certain associates over the same period last year, the Group's total net cash inflow from operating activities decreased by 9.3% year-on-year to HK$1,864 million for the six months ended 30 June 2017. Due to the cash received from the disposal of CIMC and the capital expenditure on business acquisitions which was significantly lower than that of the same period last

Note 2 Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

year, the Group has generated net cash inflow of HK$6,532 million from investment activities for the six months ended 30 June 2017, as compared to a net cash outflow of HK$8,523 million in the comparable period. The Group's net cash inflow from financing activities amounted to HK$3,293 million during the six months ended 30 June 2017, comparing to HK$1,459 million in the same period last year.

Liquidity and treasury policies

As at 30 June 2017, the Group had approximately HK$15,424 million in cash, 59.2% of which was denominated in Hong Kong dollars, 3.9% in United States dollars, 36.0% in Renminbi and 0.9% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation, property investment, and investment returns from associates and joint ventures, which amounted to HK$1,864 million in total.

During the period under review, the Group incurred capital expenditure amounted to HK$668 million while the Group continued to adhere to a prudent financial policy and to maintain a sound financial position. In addition, as a significant portion of the Group's bank loans were medium- to long-term loans, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 30 June 2017, the Company had 3,128,867,827 shares in issue. During the period, the Company issued 503,135,602 new shares upon conversion of the MCS. The market capitalisation of the Company was HK$67,740 million (based on the closing price) as at 30 June 2017, indicating a significant increase of 34.1% as compared to its market capitalisation of HK$50,519 million as at 30 December 2016 (based on the closing price). On 18 July 2017, the Company issued 43,209,660 shares under the Company's scrip dividend scheme.

As at 30 June 2017, the Group's net gearing ratio[Note 3] was approximately 14.9%.

The financial statements of the Group's foreign investments are in Renminbi, Euro or United States dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in a reserve of the Group. The Group will keep monitoring market changes and explore on the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimise its overall exposure to maintain foreign exchange risk at a manageable level.

During the period, the Company issued fixed-rate unlisted notes maturing in 2022 for the amount of RMB2,500 million to finance the Group's working capital.

The Group had aggregate bank loans and listed notes payable of HK$15,127 million as at 30 June 2017 that contain customary cross default provisions.

Note 3 Net interest-bearing debts divided by total equity.

As at 30 June 2017, the Group's outstanding interest bearing debts are analysed as below:

	30 June 2017 *HK$'million*	**31 December 2016** *HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	1,218	2,225
Between 1 and 2 years	1,782	516
Between 2 and 5 years	2,352	2,455
More than 5 years	2,451	2,304
	7,803	7,500
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	1,239	732
More than 5 years	28	28
	1,267	760
Fixed-rate listed notes payable which are repayable:		
In 2018	1,558	1,546
In 2020	1,555	1,544
In 2022	3,868	3,839
In 2025	3,881	3,855
	10,862	10,784
Fixed-rate unlisted notes payable which are repayable:		
In 2017	1,762	1,962
In 2019	344	334
In 2022	2,908	—
	5,014	2,296
Loans from the ultimate holding company		
Repayable within 1 year	—	336

Note: All bank loans are unsecured except for HK$4,199 million (31 December 2016: HK$4,209 million).

	30 June 2017	31 December 2016
	HK$'million	*HK$'million*
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	119	63
Between 1 and 2 years	58	223
Between 2 and 5 years	—	56
	177	342
Loans from a fellow subsidiary		
Repayable within 1 year	1,533	—
Loans from non-controlling equity holders of subsidiaries which are repayable as follows:		
Within 1 year	23	44
More than 5 years	415	372
	438	416

The interest bearing debts are denominated in the following currencies:

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a fellow subsidiary	Loans from non-controlling equity holders of subsidiaries	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
As at 30 June 2017								
USD	2,301	10,862	—	—	—	—	23	13,186
RMB	4,797	—	5,014	177	—	1,533	—	11,521
EURO	1,972	—	—	—	—	—	415	2,387
	9,070	10,862	5,014	177	—	1,533	438	27,094
As at 31 December 2016								
USD	2,569	10,784	—	—	—	—	44	13,397
RMB	3,803	—	2,296	342	336	—	—	6,777
EURO	1,888	—	—	—	—	—	372	2,260
	8,260	10,784	2,296	342	336	—	416	22,434

Assets charge

As at 30 June 2017, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary are pledged to various banks for bank loans of HK$4,199 million (31 December 2016: HK$4,209 million).

Employees and remuneration

As at 30 June 2017, the Group employed 5,656 full time staff, of which 187 worked in Hong Kong, 4,543 worked in Mainland China, and the remaining 926 worked overseas. The remuneration paid for the period amounted to HK$719 million, representing 25.5% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, the individual's performance, the conditions of the human resources market and the general economy.

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

The Group has at all times strived to maintain a good relationship with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Corporate social responsibility

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

In the first half of 2017, aiming at "energy conservation and efficiency enhancement" with "technological innovations" as the means while fulfilling the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment", the Group has continued its efforts in promoting the building of green ports by expediting the transformation of our ports, which enables them to become more environment-friendly and energy-conserving. Having become the only state-sponsored demonstration port zone of low-carbon green ports in South China since 2013, the Group's West Shenzhen Port Zone has been working actively to implement the pilot programs relating to the establishment of low-carbon green ports, focusing on 13 key implementation projects in four major areas, including the transformation of infrastructure, upgrading of logistics equipment, optimisation of energy consumption structure and initiation of intelligent operations. The Company has effectively implemented a total of 11 projects (after adjustments) with a total investment of RMB77.41 million, all of which have been completed. These projects demonstrated the Group's efforts in establishing a new and modern container port zone that is green, efficient, eco-friendly and sustainable with the use of clean energy and green power.

The Group is committed to integrating its corporate values into the community by taking active part in various community and charitable activities, with focuses on education, poverty alleviation, charitable activities and community services among many others to facilitate a harmonious environment and sustainable development of our society. During the first half of the year, CICT in Sri Lanka, a subsidiary of the Group, joined hands with China Merchants Charitable Foundation, to donate Rupees 7.5 million worth of supplies in total to the county council and local government departments of Sri Lanka as well as the Ministry of Disaster Management of Sri Lanka respectively, to help the victims of flooding and landslide regions in Sri Lanka to overcome difficulties. The Company also continued to run the "Shaping Blue Dreams Together — C Blue Restore Sight Project" (共鑄藍色夢想—招商局一帶一路光明行), providing free surgeries for 154 local patients, who were poor and suffered from cataract, to recover their sight.

Future prospects

Looking into the second half of the year, the global economy will stay on the recovery trajectory, mainly under the influence of the demand side, especially the manufacturing industry with encouraging investment demand, and the global trade volume. The growth rate of the global economy will return to its long-term average. According to IMF, it is expected that the global economy will grow by 3.5% in 2017, up 0.3 percentage point as compared to that in 2016, among which, developed economies are expected to grow by 2% (2016: 1.7%), while emerging and developing economies will grow by 4.6% (2016: 4.3%).

Chinese economy is expected to experience a moderation in the second half of the year with GDP remaining at the level of 6.7% throughout the year. From the demand perspective, the growth rate of real estate and infrastructure investment will drop, while investment in the manufacturing industry may continue to rise, hence, the overall investment growth rate may slightly increase as compared to that in 2016. The growth rate of consumption will remain steady against the backdrop of consumption upgrade. The economic contribution of import and export will increase with support from the stable external demand.

The rebound of demand in shipping industry, further enhancement of container shipment centralisation and the expected improvement of utilisation of dry bulk shipping capacity constitute the key conditions for upward elasticity on shipping freight rate. The industry has entered a phase of structural recovery.

As the traditional peak season of container and dry bulk shipment take place in the third and fourth quarter respectively, the recovery of the industry deserves expectation. Moreover, benefitted from the recovery of the shipping industry, it is expected that the port industry will record restorative growth throughout the year.

In the second half of the year, the Group will continue to pursue its strategic directives to ensure that all operational targets can be met. To this end, the Group will maintain its strategic positioning and further enhance its target management. Simultaneously, the Group will continue to promote its strategic development plan and step up its efforts in implementing its strategic operation and evaluation system. It will also seek to nurture and explore new drivers for profitability by dedicating more resources in the research of strategic development and deepening the strategic philosophy of the comprehensive port ecosystem and the related implementation plan. The Group will conduct a thorough review on the transformation and innovation of its ports operation, including the expansion into upstream and downstream of ports operation and extension of the industrial chain, with a view to promoting the strategic synergy of related internal and external port resources, thereby forming a database for investment cooperation projects of enterprises providing port and shipping services and recommendation for the implementation of such projects.

While staying focused on its core ports operation, the Group will strive to achieve new breakthrough by promoting the development of its key projects. The Group will enhance the overall competitiveness of its homebase port in China and assure the implementation of the consolidation projects. In addition to following up the construction of Tonggu Channel dredging and widening project, the Group will also endeavour to put Tonggu Channel into trial operation for container vessel of 200,000 DWT to navigate therein, and simultaneously complete the construction of the public channel in West Shenzhen Port Zone and the channel dredging and widening projects in the sea area of Chiwan and Shekou. Moreover, by leveraging on the resource advantages of the strong alliance between Shenzhen homebase port and the Pearl River Delta, including the network of inland river terminals, barge transportation, sea-rail intermodal transportations, one-stop logistics, storage and delivery service, freight forwarder and shipping agency, etc., the Group can further improve its service products in relation to cargo collection-distribution, enhance the attractiveness of Shenzhen homebase port for cargo from the Pearl River Delta region as well as reinforce and strengthen the overall servicing capability of Shenzhen homebase port. In addition, the Group will push forward the research on overseas projects in a pragmatic manner by formulating definite development strategy for projects of each region and developing such projects steadily according to the existing strategic deployments. It will also establish a designated team to take full charge of the relevant works of port consolidation with a view to formulating a plan that can benefit all parties.

The Group will insist on pursuing innovation and transformation and continue to exert great efforts in building a comprehensive port ecosystem and promoting the operational transformation towards "Port + Project" model. With Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. as the executor, the Group will proactively obtain the relevant qualification for project construction and strive for resource integration along the industrial chain of the upstream and downstream engineering services, thereby effectively transforming from a project supervisory company to a general engineering contractor and hence play a more important role in supporting the strategic development of the Group. In order to strengthen business innovation and development, the Group will endorse the investment needs on technological research and development. It will further facilitate the replication and promotion of the success in "Port+" model and launch pilot projects of "Port+" in respect of grain and timber trading in a bid to achieve integrated innovation and cross-sector integration. Besides, as integration of industry with elements of finance can help optimise asset structure, the Group will analyse, reallocate and optimise its asset structure and financing channels accordingly.

Against a backdrop of continuous recovery of the global economy and trade, steady growth of the Chinese economy and changing competitive landscape of the port and shipping market in 2017, the Group will seize new opportunities for its port business to analyse, adjust and optimise its asset structure and financing channels with a view to enhancing its overall return on equity. As always, the Group will endeavour to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") 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 risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2017.

CORPORATE GOVERNANCE

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2017, except the following: -

In respect of Code Provision E.1.2 under the Corporate Governance Code, Mr. Li Xiaopeng, the Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2017 due to business trip. Mr. Hu Jianhua, the Vice Chairman took the chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 2 June 2017 to answer shareholders' questions.

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

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

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2017 interim report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By Order of the Board
China Merchants Port Holdings Company Limited
Li Xiaopeng
Chairman

Hong Kong, 31 August 2017

As at the date of this announcement, the Board comprises Mr. Li Xiaopeng, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Hua Li, Mr. Bai Jingtao, Mr. Wang Zhixian, Mr. Zheng Shaoping and Ms. Shi Wei as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.