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 66.50 million TEUs, up 0.3% (2022: 66.28 million TEUs)
- Throughput of bulk cargos handled reached 270 million tonnes, up 0.2% (2022: 269 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$3,351 million, down 30.5% (2022: HK$4,825 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$3,325 million, down 33.2% (2022: HK$4,974 million)
  - √ HK$3,892 million, down 35.5%, from ports operation (2022: HK$6,036 million)
- Basic earnings per share amounted to 83.69 HK cents, down 34.4% (2022: 127.48 HK cents)
- Interim dividend of 22 HK cents per share (2022: 22 HK cents per share)

2023 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 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
	Note	**2023**	**2022**
		HK$'million	*HK$'million*
Revenue	2	5,805	6,508
Cost of sales		(3,195)	(3,400)
Gross profit		2,610	3,108
Other income and other gains/(losses), net	4	123	(437)
Administrative expenses		(624)	(712)
Finance income	5	228	210
Finance costs	5	(894)	(1,018)
Finance costs, net	5	(666)	(808)
Share of profits less losses of			
Associates		2,909	4,871
Joint ventures		148	165
		3,057	5,036
Profit before taxation		4,500	6,187
Taxation	6	(516)	(626)
Profit for the period	7	3,984	5,561
Attributable to:			
Equity holders of the Company		3,351	4,825
Holders of perpetual capital securities		114	113
Non-controlling interests		519	623
Profit for the period		3,984	5,561
Dividends	8	909	866
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		83.69	127.48

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited	
	2023	**2022**
	HK$'million	*HK$'million*
Profit for the period	3,984	5,561
Other comprehensive (expense)/income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(1,827)	(4,404)
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of an owner occupied property upon change of use to investment property	53	—
Share of other reserves of associates	137	81
Total other comprehensive expense for the period, net of tax	(1,637)	(4,323)
Total comprehensive income for the period	2,347	1,238
Total comprehensive income attributable to:		
Equity holders of the Company	1,788	1,055
Holders of perpetual capital securities	114	113
Non-controlling interests	445	70
	2,347	1,238

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023** *HK$'million*	**Audited 31 December 2022** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		5,624	5,613
Intangible assets		8,688	8,380
Property, plant and equipment		20,917	24,217
Right-of-use assets		15,058	16,735
Investment properties		8,102	8,265
Interests in associates		75,386	75,656
Interests in joint ventures		9,262	9,319
Other financial assets		9,996	8,860
Other non-current assets		256	258
Deferred tax assets		361	323
		153,650	157,626
Current assets			
Inventories		187	175
Other financial assets		2,374	2,468
Debtors, deposits and prepayments	10	3,814	2,257
Taxation recoverable		44	—
Cash and bank balances		8,430	9,629
		14,849	14,529
Assets classified as held for sale		4,383	—
		19,232	14,529
Total assets		172,882	172,155

	Note	Unaudited 30 June 2023 *HK$'million*	Audited 31 December 2022 *HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		46,668	46,668
Reserves		48,780	47,899
Proposed dividend	8	909	2,402
		96,357	96,969
Perpetual capital securities		6,247	6,246
Non-controlling interests		19,768	19,361
Total equity		122,372	122,576
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		20,096	17,968
Lease liabilities		917	885
Other non-current liabilities		5,201	4,958
Deferred tax liabilities		4,342	4,766
		30,556	28,577
Current liabilities			
Creditors and accruals	11	3,190	3,514
Dividend payable to ordinary shareholders of the Company		2,402	—
Bank and other borrowings		12,710	16,561
Lease liabilities		45	65
Taxation payable		866	862
		19,213	21,002
Liabilities associated with assets classified as held for sale		741	—
		19,954	21,002
Total liabilities		50,510	49,579
Total equity and liabilities		172,882	172,155
Net current liabilities		(722)	(6,473)
Total assets less current liabilities		152,928	151,153

NOTES:

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (the "**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the HKSE and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2022 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 is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**").

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

During the period, the Group has applied the new and amendments to HKFRSs issued by the HKICPA for the first time. Except as described below, the application of other new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated interim financial information.

Impact on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2023;

(ii) the Group also; as at 1 January 2023, recognised a deferred tax asset and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The cumulative effect of recognising these adjustments as of 1 January 2023 was amounted to HK$62 million and adjustment was made to the beginning retained earnings and non-controlling interests.

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	
	2023	**2022**
	HK$'million	*HK$'million*
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	5,406	6,172
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	301	254
Revenue from contracts with customers	5,707	6,426
Gross rental income from investment properties	98	82
	5,805	6,508

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 perspectives.

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

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

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

The Group's ports operation are presented 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 logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

(iii) Other operations mainly include property development and investment and logistics operation operated by the Group's associates, property investment operated by the Group and corporate function.

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations. For the purpose of segment reporting, these individual operating segments have been aggregated into reporting segments on geographic basis as these individual operating segments have similar economic characteristics, and they present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

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

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

The Group's revenue by geographical areas of operations and information about its non-current assets other than other financial assets 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**
	2023	**2022**	**2023**	**2022**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	3,425	4,233	95,310	102,221
Brazil	854	835	9,411	8,695
Other locations	1,526	1,440	38,572	37,527
	5,805	6,508	143,293	148,443

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

	For the six months ended 30 June 2023									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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*
Revenue	1,997	514	39	499	2,357	5,406	301	98	—	5,805
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	760	13	239	31	1,093	2,136	114	46	(187)	2,109
Share of profits less losses of										
– Associates	54	2,389	92	21	125	2,681	8	220	—	2,909
– Joint ventures	—	—	87	2	71	160	(11)	(1)	—	148
	814	2,402	418	54	1,289	4,977	111	265	(187)	5,166
Finance costs, net	(16)	(2)	—	(11)	(59)	(88)	(5)	(10)	(563)	(666)
Taxation	(165)	(113)	(60)	(17)	(123)	(478)	(19)	(19)	—	(516)
Profit/(loss) for the period	633	2,287	358	26	1,107	4,411	87	236	(750)	3,984
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(114)	(114)
Non-controlling interests	(126)	(62)	—	(16)	(289)	(493)	(26)	—	—	(519)
Profit/(loss) attributable to equity holders of the Company	507	2,225	358	10	818	3,918	61	236	(864)	3,351
Other information:										
Depreciation and amortisation	334	119	1	159	491	1,104	50	9	12	1,175
Capital expenditure	45	23	—	139	216	423	2	22	—	447

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

	For the six months ended 30 June 2022									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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*
Revenue	2,576	785	41	520	2,250	6,172	254	82	—	6,508
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,165	248	(23)	30	1,024	2,444	61	37	(583)	1,959
Share of profits less losses of										
– Associates	129	3,596	110	32	841	4,708	7	156	—	4,871
– Joint ventures	—	—	64	4	96	164	1	—	—	165
	1,294	3,844	151	66	1,961	7,316	69	193	(583)	6,995
Finance costs, net	(34)	1	—	(13)	(180)	(226)	(7)	(16)	(559)	(808)
Taxation	(259)	(217)	(13)	(17)	(88)	(594)	(11)	(21)	—	(626)
Profit/(loss) for the period	1,001	3,628	138	36	1,693	6,496	51	156	(1,142)	5,561
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(113)	(113)
Non-controlling interests	(201)	(155)	—	(20)	(237)	(613)	(10)	—	—	(623)
Profit/(loss) attributable to equity holders of the Company	800	3,473	138	16	1,456	5,883	41	156	(1,255)	4,825
Other information:										
Depreciation and amortisation	379	121	1	165	469	1,135	53	5	16	1,209
Capital expenditure	308	25	—	53	101	487	24	6	—	517

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 reporting segments, and all liabilities other than taxation payable and deferred tax liabilities are allocated to reporting segments.

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

	As at 30 June 2023									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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*
ASSETS										
Segment assets (excluding interests in associates and joint ventures)	16,847	2,456	1,219	10,123	36,560	67,205	2,405	8,461	5,375	83,446
Interests in associates	2,937	39,135	4,685	2,909	9,089	58,755	576	16,055	—	75,386
Interests in joint ventures	6	—	2,799	341	5,561	8,707	329	226	—	9,262
Assets classified as held for sale	—	4,383	—	—	—	4,383	—	—	—	4,383
Total segment assets	19,790	45,974	8,703	13,373	51,210	139,050	3,310	24,742	5,375	172,477
Tax recoverable										44
Deferred tax assets										361
Total assets										172,882
LIABILITIES										
Segment liabilities	2,303	—	8	2,248	7,098	11,657	413	556	31,935	44,561
Liabilities associated with assets classified as held for sale	—	741	—	—	—	741	—	—	—	741
Total segment liabilities	2,303	741	8	2,248	7,098	12,398	413	556	31,935	45,302
Taxation payable										866
Deferred tax liabilities										4,342
Total liabilities										50,510

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

	As at 31 December 2022									
	Ports operation						Bonded logistics operation	Other investments	Corporate function	Total
	Mainland China, Hong Kong and Taiwan				Other locations	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*
ASSETS										
Segment assets (excluding interests in associates and joint ventures)	17,677	6,146	991	10,461	34,811	70,086	2,521	8,612	5,638	86,857
Interests in associates	3,015	38,988	4,805	3,012	9,356	59,176	572	15,908	—	75,656
Interests in joint ventures	6	—	2,801	347	5,496	8,650	440	229	—	9,319
Total segment assets	20,698	45,134	8,597	13,820	49,663	137,912	3,533	24,749	5,638	171,832
Deferred tax assets										323
Total assets										172,155
LIABILITIES										
Segment liabilities	2,728	401	4	1,701	7,007	11,841	527	695	30,888	43,951
Taxation payable										862
Deferred tax liabilities										4,766
Total liabilities										49,579

4 Other income and other gains/(losses), net

	Six months ended 30 June	
	2023	**2022**
	HK$'million	*HK$'million*
Net change in fair value of financial assets at fair value through profit or loss	83	(144)
Net change in fair value of investment properties	(6)	6
Net exchange losses	(113)	(463)
Dividend income from equity investments	87	92
Government grants	32	61
Loss on deemed disposal of partial interest in an associate	—	(3)
Others	40	14
	123	(437)

5 Finance income and costs

	Six months ended 30 June 2023 HK$'million	2022 HK$'million
Finance income from:		
Interest income from bank and other deposits	99	74
Interest income from advances to associates	101	100
Interest income from advance to a joint venture	28	36
	228	210
Interest expense on:		
Bank loans	(238)	(180)
Notes payable	(453)	(554)
Loans from:		
– a non-controlling equity holder of a subsidiary	—	(9)
– fellow subsidiaries	(10)	(6)
– immediate holding company	(12)	(28)
Lease liabilities	(25)	(27)
Others	(156)	(214)
Finance costs	(894)	(1,018)
Finance costs, net	(666)	(808)

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the period.

The Group's operations in Mainland China are subject to corporate income tax law of the 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 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	
	2023	**2022**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	2	5
PRC corporate income tax	241	349
Overseas profits tax	90	55
Withholding income tax	97	114
Deferred taxation		
Origination and reversal of temporary differences	86	103
	516	626

7 Profit for the period

	Six months ended 30 June	
	2023	**2022**
	HK$'million	HK$'million
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,036	1,126
Depreciation of property, plant and equipment	760	802
Depreciation of right-of-use assets	260	269
Amortisation of intangible assets	155	138

8 Dividends

	Six months ended 30 June	
	2023	**2022**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2022: 22 HK cents) per ordinary share	909	866

At a meeting held on 30 August 2023, the Board of Directors proposed an interim dividend of 22 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

The amount of interim dividend for 2023 was based on 4,130,981,006 (2022: 3,938,269,512) shares in issue as at 30 August 2023.

Pursuant to the shareholders' approval at the Annual General Meeting held on 2 June 2023, a final dividend of 60 HK cents per ordinary share, totalling HK$2,402 million for the year ended 31 December 2022 was declared. In July 2023, the Company issued 127,597,960 shares under the Company's scrip dividend scheme.

9 Earnings per share

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

	Six months ended 30 June	
	2023	**2022**
Basic		
Profit attributable to equity holders of the Company (HK$'million)	3,351	4,825
Weighted average number of ordinary shares in issue	4,003,383,046	3,785,619,729

No diluted earnings per share for both six months ended 30 June 2023 and 2022 were presented as there were no potential dilutive ordinary shares in issue for both periods.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,477 million (31 December 2022: HK$928 million).

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2022: 90 days) to its trade debtors. The ageing analysis of the trade debtors, based on the invoice date, net of allowance for credit losses of trade debtors, is as follows:

	30 June 2023	**31 December 2022**
	HK$'million	*HK$'million*
0 - 90 days	1,343	871
91 - 180 days	105	33
181 - 365 days	10	15
Over 365 days	19	9
	1,477	928

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$327 million (31 December 2022: HK$475 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2023	**31 December 2022**
	HK$'million	*HK$'million*
0 - 90 days	306	419
91 - 180 days	9	18
181 - 365 days	1	7
Over 365 days	11	31
	327	475

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$909 million for the six months ended 30 June 2023 by way of an issue of new shares with an alternative to the shareholders to elect to receive the interim dividend (or part thereof) in cash in lieu of such allotment (2022: scrip dividend of 22 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 22 November 2023 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 4 October 2023 (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 9 October 2023. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the HKSE of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 22 November 2023.

CLOSURE OF REGISTER

The Register of Members will be closed from 28 September 2023 to 4 October 2023 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 27 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In the first half of 2023, as global economic uncertainty increased, economic recovery remained sluggish. Geopolitical frictions persisted while high inflation and high inventories inhibited consumer demand in the developed countries. Interest hikes in European countries and the United States slowed down the growth of investment and expansion in emerging markets. China and the United States entered a new round of tug-of-war in the high-tech field. In accordance with the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in July 2023, the global economy was expected to grow by 3.0% in 2023, representing a decrease of 0.5 percentage point as compared with 2022, of which the developed economies were projected to grow by 1.5%, down 1.2 percentage points year-on-year; and the emerging market and developing economies were projected to grow by 4.0%, representing a flat growth as compared with 2022. With reference to the report of the U.S. Department of Commerce, the gross domestic product ("**GDP**") of the United States increased by 2.4% in the second quarter of 2023, higher than 2% in the first quarter. According to the data from the Eurostat, the GDP of the Eurozone increased by 0.3% quarter-on-quarter in the second quarter of 2023, of which the GDP of Germany remained flat quarter-on-quarter and France increased by 0.5% quarter-on-quarter. The economic situation in Japan was relatively complicated. Though some indicators such as industrial output value in June 2023 have rebounded beyond expectations, the economic and financial conditions of Japan remained uncertain. South Korea's economic growth in the second quarter was better than expected with a year-on-year GDP rise of 0.9%, which was the same as the first quarter. In respect of global trade, IMF expected that the global trade growth for 2023 would be 2.0%, down 3.2% year-on-year. Against the backdrop of sluggish commodity consumption, increasing uncertainties in the future geopolitical economic situation, weak productivity growth and more challenging financial environment, enterprises would scale down their investments in production capacity.

In the first half of 2023, confronted with the complex and severe external environment, the general tone of seeking progress while maintaining stability has been adhered to in China and its economy rebounded generally with steady improvement in import and export trade, which met expectations. According to the data from the National Bureau of Statistics of China, the GDP of China for the first half of 2023 amounted to RMB59.30 trillion, representing a year-on-year growth of 5.5% at constant prices. However, with the weak recovery of the world economy, the sluggish investment in global trading, and rising risks of unilateralism, protectionism and geopolitics, the impact of dropping external demand on China's trade was still continuing. According to the statistics of the General Administration of Customs of China, the total value of China's export and import trade amounted to RMB20.1 trillion in the first half of 2023, representing an increase of 2.1% over the corresponding period last year, of which the exports amounted to RMB11.46 trillion, up by 3.7% year-on-year; and the imports amounted to RMB8.64 trillion, down by 0.1% year-on-year. The trade surplus was RMB2.82 trillion, which expanded by 17.4%. In US dollar terms, China's total imports and exports amounted to US$2.92 trillion, down by 4.7%.

The international shipping industry has been so profoundly affected by the reshaping of the global industrial chain and supply chain that there were significant adjustments in route layout. According to the report published by a shipping consultancy Alphaliner, as of the end of July 2023, the Asia-Europe routes deployed by shipping companies increased by 3.4% year-on-year, and the shipping capacity of the Trans-Pacific routes decreased by 19.1% year-on-year. In respect of ports of call, the number of ships calling at the United States ports from China dropped sharply, while more container cargoes arrived at the United States from Vietnam, Mexico and other places. A report published by the Lloyd's List showed the number of cargo originating from China to the United States decreased by 17%, the number of ship calls from China to Vietnam increased by 23%, and the number of ship calls from Vietnam to the United States increased from 44 to 62, representing an increase of 41% since 2022. China's port calls to Mexico increased by 14% year-on-year. The number of Sino-Russian direct ports surged to 342, representing a year-on-year increase of 88%.

With increasing uncertainties in the container shipping market in 2023, the supply and demand fundamentals were cautiously optimistic and international shipping prices dropped rapidly, then hovering at low levels. On the supply side, the shipping market entered a new round of shipping capacity delivery period and the average time of berthing at port continued to be shortened. The idle capacity of container vessels accounted for approximately 4.4%. On the demand side, a shipping consultancy Drewry expected that the growth rate of global port throughput would be approximately 1% in 2023. With the decrease in freight rates, the shipping companies were committed to cost control and business diversification to ensure revenue, including optimising fleet capacity, reducing charter costs, slow navigation, as well as extending to both ends of the shipping and logistics chains and carrying out investment in the zero-carbon field and etc.

Affected by the global economic and trade and international shipping industries, the growth of the global port industry was sluggish as a whole, with major hub ports experiencing different levels of decline in the container volume. The shipping consultancy Drewry expected that the global port throughput would grow by 1% in 2023, and by 3% from 2024 to 2027. The data from the shipping consultancy Alphaliner showed that the world's top 20 ports achieved a total container throughput of 83.43 million twenty-foot equivalent unit ("**TEU**"), down by 11.7% year-on-year in the first quarter of 2023. Apart from positive growth of Dubai in the Middle East and Busan in Northeast Asia, all other regional ports decreased in varying degrees. Among them, the ports in the Greater China region achieving throughput of 51.54 million TEUs, down 0.25% year-on-year; ports in Southeast Asia achieving throughput of 11.07 million TEUs, down 2.0% year-on-year; and ports in Europe and North America achieving throughput of 6.33 million TEUs and 5.35 million TEUs respectively, representing year-on-year declines of 8.8% and 29.9%. In contrast, the main indicators of China's port industry performed well in the first six months of the year. According to the data published by the Ministry of Transport of China, the accumulated cargo throughput handled by ports in Mainland China in the first six months of 2023 totaled 8,189 million tonnes, representing a year-on-year increase of 8.0%. Its accumulated container throughput was 149.19 million TEUs, representing an increase of 4.8% year-on-year, of which the coastal ports handled the accumulated cargo throughput of 5,332 million tons, representing a year-on-year increase of 7.3%; its accumulated container throughput of 130.88 million TEUs, representing a year-on-year increase of 4.2%.

BUSINESS REVIEW

Ports operation

In the first half of 2023, the port business was in line with the general trend of the industry and increased its market share in major regions. The Group's ports handled a total container throughput of 66.50 million TEUs, up by 0.3% year-on-year. Among which, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 49.96 million TEUs, representing an increase of 1.2% year-on-year, which was mainly driven by the Yangtze River Delta region and the Bohai Rim region. A total container throughput handled by the Group's overseas ports decreased by 2.1% year-on-year to 16.54 million TEUs. Bulk cargo volume handled by the Group's ports increased by 0.2% year-on-year to 270 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 267 million tonnes, representing an increase of 0.3% year-on-year.

The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2023 is as below:

Container Terminals	For the six months ended 30 June		
	2023 thousand TEUs	2022 thousand TEUs	Year-on-year Changes
Mainland China, Hong Kong and Taiwan	**49,960**	**49,391**	**1.2%**
Pearl River Delta region	**7,937**	**9,117**	**(12.9%)**
West Shenzhen Port Zone	5,529	5,983	(7.6%)
China Merchants Container Services Limited and Modern Terminals Limited	1,973	2,501	(21.1%)
Chu Kong River Trade Terminal Co., Limited	435	423	2.8%
Guangdong Yide Port Limited	0	210	(100.0%)
Yangtze River Delta region	**25,135**	**24,273**	**3.6%**
Shanghai International Port (Group) Co., Ltd.	23,735	22,546	5.3%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	1,400	1,727	(18.9%)
Bohai Rim region	**14,627**	**13,436**	**8.9%**
Liaoning Port Co., Ltd.	5,334	4,685	13.9%
Qingdao Qianwan United Container Terminal Co., Ltd.	5,237	4,432	18.2%
Tianjin Port Container Terminal Co., Ltd.	4,056	4,319	(6.1%)
Others	**2,261**	**2,565**	**(11.9%)**
Shantou China Merchants Port Group Co., Ltd.	725	744	(2.6%)
Zhangzhou China Merchants Port Co., Ltd.	159	136	16.9%
Zhanjiang Port (Group) Co., Ltd.	559	589	(5.1%)
Kao Ming Container Terminal Corp.	818	1,096	(25.4%)
Other locations	**16,537**	**16,887**	**(2.1%)**
Colombo International Container Terminals Limited	1,590	1,617	(1.7%)
TCP Participações S.A.	571	562	1.6%
Lomé Container Terminal S.A.	807	716	12.7%
Tin-Can Island Container Terminal Ltd.	141	136	3.7%
Port de Djibouti S.A.	366	303	20.8%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	679	613	10.8%
Terminal Link SAS	12,383	12,940	(4.3%)
Total	**66,497**	**66,278**	**0.3%**

Pearl River Delta region

The region was subject to the significant impact by foreign trade and industrial structure, and the container business has been on a downward trend with the market. The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 5.53 million TEUs, down by 7.6% year-on-year, which was affected by overall downturn of the regional market; and handled a bulk cargo volume of 4.24 million tonnes, up by 6.2% year-on-year. Chu Kong River Trade Terminal Co., Limited handled a container throughput of 0.44 million TEUs, up by 2.8% year-on-year; and handled a bulk cargo volume of 1.68 million tonnes, representing a decrease of 8.5% year-on-year, which was mainly due to the import decline as a result of market environment and policy factors. China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 1.97 million TEUs, down by 21.1% year-on-year, which was mainly affected by lower import and export demand in Europe and the United States.

Yangtze River Delta region

The regional business steadily improved and the hinterland industry has seen better resilience. Shanghai International Port (Group) Co., Ltd. handled a container throughput of 23.74 million TEUs, up by 5.3% year-on-year; and handled a bulk cargo volume of 42.39 million TEUs, up by 40.8% year-on-year, which was mainly due to a lower base resulting from the impact of the pandemic during the same period of 2022. Ningbo Daxie China Merchants International Terminals Co., Ltd. ("**Ningbo Daxie**") handled a container throughput of 1.40 million TEUs, down by 18.9% year-on-year, which was mainly attributed to a higher base resulting from excess increment from regional terminals in the same period of 2022.

Bohai Rim region

Regional divergence was greater with container and bulk cargoes performing differently. In the first half of 2023, Liaoning Port Co., Ltd. handled a container throughput of 5.33 million TEUs, up by 13.9% year-on-year, which was mainly benefitted from the recovery of international shipping routes; and handled a bulk cargo volume of 119.11 million tonnes, down by 6.7% year-on-year, which was mainly affected by the adjustment of goods structure and the lower import demand of raw materials. Through enhancement of regional coordination and newly added shipping routes, Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 5.24 million TEUs, representing an increase of 18.2% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 6.85 million tonnes, representing a decrease of 20.7% year-on-year, which was mainly due to the sluggish regional markets. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 38.45 million tonnes, down by 0.5% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 4.06 million TEUs, representing a decrease of 6.1% year-on-year, which was mainly affected by the decrease in international cargoes.

South-East region of Mainland China

Container business of foreign trade was weaker than that of domestic trade, and bulk cargoes business experienced staged opportunities. Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.73 million TEUs, down by 2.6% year-on-year, mainly due to reduced container throughput of foreign trade; and handled a bulk cargo volume of 2.54 million tonnes, up by 67.9% year-on-year, which was mainly benefitted from the increase in the import of foreign trading coal. Owing to the business growth brought about by further tapping into laden containers resources of domestic trade in hinterland and newly added shipping routes, Zhangzhou China Merchants Port Co., Ltd. located in the Xiamen Bay Economic Zone handled a container throughput of 0.16 million TEUs, increased by 16.9% year-on-year, while its bulk cargo volume increased by 1.2% year-on-year to 4.45 million tonnes. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 2.81 million tonnes, down by 12.6% year-on-year, which was affected by the decrease in market demand of the principal sandstone business.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.56 million TEUs, down by 5.1% year-on-year; and handled a bulk cargo volume of 44.41 million tonnes, up by 3.0% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung, Taiwan handled a total container throughput of 0.82 million TEUs, representing a decrease of 25.4% year-on-year, which was mainly due to the decrease in transshipment business.

Overseas operation

In the first half of 2023, overseas container business basically remained stable, with outstanding performance in port projects in emerging markets. TCP Participações S.A. ("**TCP**") in Brazil handled a container throughput of 0.57 million TEUs, up by 1.6% year-on-year. Container throughput handled by Lomé Container Terminal S.A. in Togo increased by 12.7% year-on-year to 0.81 million TEUs, which was mainly benefitted from the increase in the import and export cargoes. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.14 million TEUs, representing an increase of 3.7% year-on-year. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.37 million TEUs, up by 20.8% year-on-year, which was mainly benefitted from the adjustment of import goods structure in Ethiopia; and handled a bulk cargo volume of 1.88 million tonnes, down by 21.0% year-on-year, which was affected by the decrease in import of grains by the Ethiopian government. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.68 million TEUs, representing a growth of 10.8% year-on-year, which was mainly benefitted from the increase in shipping routes; bulk cargo volume handled was 0.19 million tonnes, up by 430.6% year-on-year, which was mainly due to the increase in the construction materials business. Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka handled a container throughput of 1.59 million TEUs, down by 1.7% year-on-year. Hambantota International Port Group (Private) Limited ("**HIPG**") handled a bulk cargo volume of 0.73 million tonnes, down by 8.3% year-on-year, which was mainly affected by the decrease in the demand of construction materials; and its RORO terminal handled 0.319 million vehicles, up by 19.9% year-on-year, which was mainly benefitted from the growth of transshipment business brought about by the new shipping routes. Terminal Link SAS handled a container throughput of 12.38 million TEUs, down by 4.3% year-on-year, which was mainly due to the impact of the decrease in the consumption demand in European markets as well as the Russia-Ukraine conflict.

Strategic deployments in the ports operation

In the first half of 2023, the Group constantly adhered to the general principle of seeking progress while maintaining stability. It took initiatives to respond to the global economic downturn and shrinking demand, persistently focused on "endogenous growth" and "innovation and upgrade", captured the opportunities amidst the complex economic and trade landscape and fully implemented the development measures to ride through the roughness and retain growth. The quality and efficiency were improved to promote development while steadily supporting world-class and high-quality construction. The Group achieved the following operational outcomes in seven key aspects, namely the development of homebase ports, overseas business, comprehensive development, innovative development, capital operation, operation management, as well as marketing and commerce.

There were three highlights in the Group's business operation. Firstly, despite a slowdown in global trade growth, the production and operation of the Group showed a trend of steady progress with prospects of improvement. The two homebase ports in West Shenzhen Port Zone and Sri Lanka continued to strengthen their regional positions, while the overseas homebase port in Sri Lanka extended the business value chain. Secondly, the Group's comprehensive service platform, namely "CM ePort 3.0", was officially launched in some ports and terminals and was in sound operation. The Group would continue to expand the scope of online services and continuously improve the comprehensive port service level in the future. Thirdly, the Group actively improved the customer service quality, promoted innovative business model, and strived for further increase in market share so as to strengthen its regional market position.

As for homebase port construction, owing to the decline in overall container throughput in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**"), the West Shenzhen homebase port consolidated and further increased its foreign trade market share by adjusting its competitive strategy. While continuing to promote the upgrading of its hardware of the transportation and distribution infrastructure, the West Shenzhen homebase port achieved the trial run of 200,000-tonne vessel night navigation of Tonggu Channel. Sri Lanka's homebase port continued to carry out the construction of an international shipping centre in South Asia. CICT continuously optimised its route layout, with a steady increase in market share in Colombo and continued to maintain its dominant position. It steadily promoted the project of South Asia Commercial and Logistics Hub and forged the unique competitiveness of providing comprehensive services with a view to create a new development momentum of "port + logistics centre". HIPG strengthened the market expansion with the transshipment business such as roll-on and roll-off, liquefied petroleum gas and fuel oil recorded higher growth. The Group optimized operation model through strengthening market expansion and improving communication with customers.

Regarding overseas business, the Group kept abreast of changes in the global economy and trade environment, stayed in line with the trends in the port and shipping logistics industry, stabilized the existing overseas business, and actively explored the business expansion in Southeast Asia and further improved the global port network layout by leveraging the promising outlook brought by Regional Comprehensive Economic Partnership (RCEP).

In terms of innovative development, regarding the digital system, the Group increased investment in scientific and technological research and development, steadily implemented the major task of upgrading the "CTOS" structure of the container terminal operating system of the Ministry of Transport, continued to optimise the technology solution of automated driving hybrid, accelerated the product research and development and promotion coverage of the "China Merchants ePort 3.0" comprehensive service platform, and continuously promoted the management downward of the Smart Management Platform ("**SMP**"). In the first half of 2023, the "5G Mawan Smart Port Project" was selected as the first batch of pilot application excellent cases and solutions in Shenzhen. On 12 August 2023, China Merchants International Technology Company Limited, an associate company of the Group, was entitled the first prize of Science and Technology Progress Award for the "Electronic Import Order Platform Project of Shenzhen Western Terminal based on Alliance Chain and Cloud Technology" by the China Federation of Logistics & Purchasing.

In pursuit of comprehensive development, the Group was committed to improving the global network layout and business synergies for overseas projects, strengthening overseas trade as a starting point, and joining hands with overseas parks to carry out professional promotion in areas with advantageous industries in China. As of the end of June 2023, 48 contracted enterprises moved into the HIPG industrial zone, including park in park, cement plants, duty-free shops, petrochemical and other industries. The industrial layout was further broadened, while the cooperative development with the ports was enhanced. Furthermore, 332 contracted enterprises moved into the Djibouti International Free Trade Zone, having increased by 45 enterprises as compared with the beginning of the year. Relying on the port and park resources at home and abroad, the Group leveraged the advantages of the platform of the "Made by Liaocheng" Djibouti Free Trade Zone exhibition center, actively developed the park ecosystem, opened channels for commodities to and from the ports, and facilitated the upstream and downstream extension of the value chain.

In respect of operation management, the Group leveraged on SMP to build a one-stop integrated management platform to support the business analysis of container, bulk cargo, logistics parks, comprehensive development and smart technology. With digital technology as the key force, the Group made use of the smart tools to drive the reform of its operation and management methods, models and concepts. At present, the Group has basically realised the collection and management of full life-cycle information of assets, as well as the standardisation and online operation of major business processes. In addition, the Group also optimised the engineering management system and established an engineering management centre to carry out work. The Group kept on optimising profitability and continuously initiated measures to improve quality and efficiency. The business financial analysis framework was improved and reshaped, while the growth of costs and expenses was strictly controlled. By deepening the cost control to form a normalised mechanism for cost reduction and efficiency enhancement, the Group has achieved phased results on its lean operation.

Regarding capital operation, the Group focused on improving asset quality and asset structure, and strengthening the capital operation. The Group took various measures to increase the value of its existing assets. In the first half of 2023, the Group announced the disposal of 45% equity interests in Ningbo Daxie to Ningbo Zhoushan Port Company Limited at a consideration of RMB1,845 million. This would enable the Group to better utilize its existing assets, realize asset value and optimize the regional layout, which were in line with the Group's development strategy.

As for marketing and commerce, the Group promoted the internal business synergies of the Greater Bay Area, creating high-quality shipping routes with "Customized Terminal Services", and actively expanding the Southeast Asia shipping routes. The coordinated ports business in the Greater Bay Area continued to advance, and the business landscape covered all major regions in Guangdong Province. In the first half of 2023, the Group set up 5 new locations, reaching a total of 30 locations. In the first half of 2023, the accumulated container throughput was 140,000 TEUs and a total of 400,000 TEUs handled since the operation of the coordinated ports, serving nearly 6,000 import and export enterprises. As for overseas ports, the market share of TCP in Brazil further increased while the RORO business of HIPG in Sri Lanka further secured its leading position in the regional market.

Bonded logistics operation

In the first half of 2023, the Group's bonded logistics business continued to uphold the development direction of enriching the integrated service ecosystem, strengthening strategic leadership, seizing market opportunities, extending the scope of business services, and enhancing synergistic development. The overall production and operation showed a positive trend. China Merchants Bonded Logistics Co., Ltd. in Shenzhen proactively expanded new customers and modes of operation, and the average utilization rate of warehouse reached 98%. China Merchants International Terminal (Qingdao) Co., Ltd, focused on the development of the rubber industry. It achieved diversified self-operated business and stabilized the operating business of the park. Accordingly, the average utilization rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., an associate of the Group, recorded an average utilization rate of 100% of its warehouse. In the Djibouti International Free Trade Zone, the average utilization rate of the bonded warehouse wholly-owned by the Group was 100%.

In the first half of 2023, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.62 million tonnes, down by 10.4% year-on-year. Asia Airfreight Terminal Company Limited, which is a joint venture of the Group, handled a total cargo volume of 0.30 million tonnes, representing a decrease of 19.1% year-on- year and a market share of 18.7%, down by 2 percentage points as compared with the corresponding period last year.

FINANCIAL REVIEW

In the first half of 2023, the operating results of the Group were affected by the translation effect arising from the depreciation of Renminbi, which was mainly reflected in items such as revenue, costs and share of profits of associates and joint ventures. Coupled with the impact of the decline in business volume of ports in Mainland China, the Group's revenue for the six months ended 30 June 2023 amounted to HK$5,805 million, a year-on-year decrease of 10.8%. In addition, due to a year-on-year decrease in share of profits of associates and joint ventures, profit attributable to equity holders of the Company and recurrent profit[Note1] decreased to HK$3,351 million and HK$3,325 million respectively, representing year-on-year decreases of 30.5% and 33.2%.

Total assets of the Group slightly increased by 0.4% from HK$172,155 million as at 31 December 2022 to HK$172,882 million as at 30 June 2023. The total liabilities of the Group increased by 1.9% from HK$49,579 million as at 31 December 2022 to HK$50,510 million as at 30 June 2023. As at 30 June 2023, net assets attributable to equity holders of the Company was HK$96,357 million, slightly down by 0.6% as compared to that as at 31 December 2022. This was mainly attributed to the losses on retranslation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

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

In general, the Group's ports operation continued to yield stable cash inflow. For the six months ended 30 June 2023, the Group's net cash inflow from operating activities amounted to HK$2,397 million, a decrease of 37.5% as compared with the corresponding period last year, among which, the receipt of cash dividends from associates and joint ventures were HK$551 million, a decrease of 23.0% as compared with corresponding period last year. Due to the decrease in capital expenditure on business acquisitions as compared to the same period last year, the Group's net cash outflow from investing activities decreased from HK$1,952 million for the same period last year to HK$1,053 million for the current period. At the same time, the Group's net outflow of proceeds from new borrowings and repayments of borrowings decreased as compared with that for the same period last year. The Group's net cash outflow from financing activities decreased from HK$2,717 million for the same period last year to HK$2,266 million for the current period.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains/losses after tax. Non-recurrent gains/losses include: for the first half of 2023, net change in fair value of financial assets at fair value through profit or loss and net change in fair value of investment properties; while for the first half of 2022, net change in fair value of financial assets at fair value through profit or loss, net change in fair value of investment properties and loss on deemed disposal of partial interest in an associate.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2023, the Group had approximately HK$8,430 million in cash and bank balances, 2.3% of which was denominated in Hong Kong dollar, 28.5% in United States dollar, 57.8% in Renminbi, 8.7% in Euro, 2.3% in Brazilian Real and 0.4% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK$2,397 million in total.

During the period, the Group incurred capital expenditure amounting to HK$447 million, while the Group adopted a prudent financial policy and maintained a sound financial position. In addition, as a significant portion of the Group's bank loans were medium-term to long-term loans, the Group, supported by adequate undrawn bilateral bank facilities of HK$15,912 million, 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 2023, the Company had 4,003,383,046 shares in issue. In July 2023, the Company issued 127,597,960 shares under the Company's scrip dividend scheme.

As at 30 June 2023, the Group's net gearing ratio[Note 2] was approximately 20.7%.

The Group had aggregate bank loans, notes payable and perpetual capital securities of HK$22,668 million as at 30 June 2023 that contain customary cross default provisions.

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

As at 30 June 2023, the Group's outstanding bank and other borrowings amounted to HK$32,806 million (as at 31 December 2022: HK$34,529 million). The analysis is as below:

	30 June 2023	**31 December 2022**
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	5,057	7,867
Between 1 and 2 years	416	592
Between 2 and 5 years	5,150	4,043
More than 5 years	1,866	627
	12,489	13,129
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	—	224
Between 2 and 5 years	27	28
	27	252
Notes payable which are repayable:		
In 2023	7,048	7,008
In 2025	3,909	3,890
In 2027	3,904	3,885
In 2028	4,663	4,638
	19,524	19,421
Loans from fellow subsidiaries which are repayable as follows (Note):		
Within 1 year	605	4
Between 1 and 2 years	—	217
More than 5 years	161	48
	766	269
Loan from immediate holding company		
Repayable within 1 year	—	1,458

Note: All loans are unsecured except for the secured loans from banks and a fellow subsidiary of HK$1,986 million (31 December 2022: HK$1,241 million).

The bank and other borrowings are denominated in the following currencies:

	Bank loans	**Notes payable**	**Loans from fellow subsidiaries**	**Loan from immediate holding company**	**Total**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
As at 30 June 2023					
HKD & USD	2,031	19,524	384	—	21,939
RMB	10,191	—	382	—	10,573
EURO	196	—	—	—	196
Brazilian Real	98	—	—	—	98
	12,516	19,524	766	—	32,806
As at 31 December 2022					
HKD & USD	1,721	19,421	—	—	21,142
RMB	10,950	—	269	1,458	12,677
EURO	381	—	—	—	381
Brazilian Real	329	—	—	—	329
	13,381	19,421	269	1,458	34,529

ASSETS CHARGE

As at 30 June 2023, loans from banks and a fellow subsidiary of HK$1,790 million (31 December 2022: HK$313 million) in total borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK452 million and right-of-use assets with carrying value of HK$35 million (31 December 2022: secured by right-of-use assets with carrying value of HK$37 million). In addition, the entire shareholdings in a subsidiary indirectly (31 December 2022: two subsidiaries directly or indirectly) held by the Company were pledged to various banks for bank loans of HK$196 million (31 December 2022: HK$928 million).

EMPLOYEES AND REMUNERATION

As at 30 June 2023, the Group employed 8,407 fulltime staff, of which 159 worked in Hong Kong, 5,248 worked in Mainland China, and the remaining 3,000 worked overseas. The remuneration paid by the Group during the period amounted to HK$1,036 million, representing 27.1 % of the total operating expenses of the Group.

During the first half of 2023, the Group addressed the challenges brought by various uncertainties in an active manner. In order to achieve high-quality development and to become a global leading comprehensive port service provider, the Group adhered to the people-oriented philosophy and implemented numerous measures simultaneously, generating new vitality and enhancing new momentum.

The Group implemented a market-based talent selection and employment mechanism, and established a hierarchical, categorized, and market-based open recruitment mechanism, ensuring that the process was fair, open and impartial. By exploring the internal talent market operation mechanism, the Group revitalized the internal talent resources, and broadened the talent cultivation and development path. The Group insisted on meritocracy and performance oriented, in order to deepen the tenure system and contract-based management for each level of the management personnel, thus realizing the full coverage of the system, rigorous examination and solid commitment. The Group enhanced the exchange offered through job rotation, especially the cultivation and appointment of outstanding young leaders. The Group also focused on the internationalized talents and sorted out the key overseas positions and key talents in order to implement specific cultivation and precise motivation. The Group strengthened the steering effect of remuneration incentive, which was implemented with benchmarking of business performance and remuneration, attached equal importance to incentives and restraints, strengthening the analysis on human resources efficiency and optimizing the resources allocation, thereby implementing the "rigorous motivation and rigid constraints" that enable the income can be adjusted upward and downward. The Group continuously promoted the establishment of motivation mechanism, integrating both short-term motivation and mid-to long-term motivation, and exploring the establishment of technological innovated talent motivation mechanism, thus forming a mechanism of sharing both interests and risks by shareholders, employees and the Group.

SUSTAINABLE DEVELOPMENT

In response to the nation's call for green and sustainable development, the Group has set its goal of "building a world's leading green and smart port with high quality". The Group also undertook the corporate responsibilities towards stakeholders such as shareholders, employees and business partners, and to propel both the enterprises and the society towards the sustainable development together.

First, the Group strengthened the environmental management. The Group actively responded to the national "3060" dual carbon target (that is, "carbon peak" and "carbon neutrality"), and the development strategy of low-carbon transformation, in which works on conserving energy, reducing emission and addressing climate change were carried out properly in terminal construction, production and operation at domestic and overseas. In the meantime, the Group strengthened the resource conservation and ecological protection and management, in an attempt to minimize the effect of business operation on the environment and natural resources. On energy conservation and emission reduction front, the Group commenced projects like "Shore-Powered Supply for Vessels", "New Energy Truck", "Electrification of RTG" and "Energy-saving Lighting Renovation" in an active manner. While on the front on addressing climate risk, the Group progressively considered to incorporate risks arising from climate changes into the internal general risk assessment and management systems and strengthened the measures for addressing climate risks through setting up indicators, goals and transformation plans related to dual-carbon targets. On the front of conserving resources, the Group incorporated the rationale of resources conservation into its daily operation from the perspectives of water saving, electricity saving and paperless office. On the front of ecological protection, the Group strived to minimize its impact to the ecosystem as much as possible, and assessments were made in strict compliance with the relevant requirements in terms of site selection and their environmental impacts.

Second, the Group promoted the upgrades on digitalization. The Group insisted on empowering and facilitating the enhancement of operating capability through technology. For the areas of technology research and development, production efficiency, safety supervision, integration of business and finance, management and control of cost, the Group utilized applications such as "CMCore", "CM ePort", automation technology, intelligent border ports, 5G applications, blockchain, Beidou system, artificial intelligence to promote the comprehensive construction of port digitalization, and accelerated the construction progress of smart and green ports, thus promoting the high quality development of regional leading ports.

Third, the Group insisted on performing its social responsibility. Upholding the concept of integration for mutual benefit, the Group focused on the needs of the community where it operates, and integrated into the culture where it operates and provided assistance to the sustainable development of the local community through community interest fields such as talent cultivation, educational and medical support, livelihood and relief, children care, rural revitalization, etc. from time to time. The Group continued to develop the "C-Blue Global Philanthropic Mission" charity brand. During the first half of 2023, the Tenth "C-Blue Training Program" was commenced successfully, which provided a platform for exchange and learning for young talents from the global port industry. The Group also vigorously developed the "C-Blue Rural Education" project, carrying out "2023 C-Blue Lianping Growth Camp", "C-Blue Weining Growth Camp" and "C-Blue Summer Camp for Children (Innovation and Upgrade)", which provided assistance to and helped rural schools with education improvement in order to facilitate a fair and balance development of education. In overseas areas, the Group continued to promote the "C-Blue Hope Village" project in Sri Lanka.

FUTURE PROSPECTS

As the second half of 2023 approaches, with the risk of global economic growth still tending to decline, more economies may fall into sovereign debt predicament if more shocks take place, including the intensified Russia-Ukraine conflicts and the impact of extreme weather, inflation might stay high or even go up, which can lead to further tightening of monetary policy. Nevertheless, the possibility of a more favorable outcome for global growth is also rising, with core inflation likely to decline faster than expected, thereby reducing the need to implement tighter monetary policies. IMF predicted that the global economy would record a 3.0% growth in 2023, a decrease of 0.5 percentage point as compared to that of in 2022. Among which, the growth rate of emerging market and developing economies was expected to be generally stable at 4.0% in 2023 and 4.1% in 2024; in particular, the predicted value for 2023 was upward by 0.1 percentage point and for 2024 was downward by 0.1 percentage point. The total global trade volume (including goods and services) was expected to grow at 2.0% in 2023 and 3.7% in 2024; which showed a reduction of 0.4 percentage point from the April predicted value for 2023 and an increase of 0.2 percentage point for 2024.

In the second half of 2023, the contraction of China's real estate industry may be more intense beyond expectations while the lack of its confidence will lead to weaker consumption than expected. In response to the decline in local government tax revenues, fiscal policy may be tightened. All of these uncertainties will put pressure on China's economic growth. However, there is still great resilience for the development of China's import and export. The international market demand may surpass expectations and consumption growth may further release potential. The acceleration in the development of digitalization will continue, and the development trend of the green economy will further strengthen, thus technological innovation will become an important driving force for the economic development of China. In the next phase, the Chinese government will continue to adhere to the general tone of making progress while maintaining stability, will exert efforts on changing methodology, adjusting structure and injecting momentum and strive for promoting its economy to achieve an effective enhancement in quality and a reasonable growth in quantity.

Based on the above analysis and judgements, in the second half of 2023, the Group will adhere to the keynote of seeking progress while maintaining stability, tapping the new trends and implementing the new concepts. The Group will steadily promote the world-class construction with high quality and enhance the comprehensive service capabilities of supply chain. The Group will strive to realize its strategic goal of becoming a "world's leading comprehensive port service provider" with high quality by well-performing on digitalization, marketization, internationalization, platformization and refinement.

With respect to the construction of homebase ports, the West Shenzhen Port Zone will strictly adhere to the strategic goal of strong transportation country. The Group will continue to promote the construction of leading port, including the continuous optimization of cargo transportation system of West Shenzhen homebase port, the enhancement of container handling capacity, improving the waterway channel condition, with an aim to, creating favorable conditions for the continuous strengthening and expansion of West Shenzhen homebase port.

In respect of overseas business, the Group will continue to optimize its overseas presence, as well as stabilize the development of overseas business, strengthen the business expansion, and enhance the geographical advantage of each overseas terminals. The Group will also improve the establishment of overseas management and control system through optimizing the management systems of overseas projects. In face of the current complicated international situation, the Group will deeply focus on key overseas area and continue to pay attention to the regional situation, thus exploring new investment opportunities.

In terms of comprehensive development, the Group will keep abreast of the change in the global trade pattern, and focus on business model innovation and comprehensive extension of service value. Through the extension of port ecosystem, the Group will progressively extend to other sectors of the supply chain, in an effort to creating a regional supply chain ecosystem that can match with the port ecosystem.

Regarding innovative development, the Group will stick to innovation-driven development and technology empowerment for industrial transformation and upgrade. To extend the first growth curve, the Group will put greater efforts in making breakthroughs for core technologies with great importance, so as to enhance the quality and efficiency of main business with the aid of technologies. To cultivate the second growth curve, the Group will push forward the innovation of business models and will make its presence in emerging industries and actively explore new technology-related business with high growth, so as to form an investment presence in green ports and smart ports, and transform from "volume economy" into "value economy" with the port-related supply chain services to be developed.

In respect of capital operation, the Group will explore its value through "high quality development", which focuses on exploring core assets values, and devote to enhance the return on investment through reshaping the asset allocation and optimizing the asset portfolio.

In terms of operation management, the Group will continue to optimize the management system for various business lines to enhance its overall operation and management. The Group has optimized the operation and management system and has established a value-oriented management headquarters to facilitate its world-class operation and management system that sustainably creates value to a new level.

With regard to marketing and commerce, the Group will comprehensively extend the services values, take more efforts on the location expansion of the coordinated composition ports, and facilitate the research and development of bonded, commerce and trade related extension platforms. The Group will continue to explore business opportunities, enhance the market competitiveness of new shipping routes, and strengthen the connectivity with shipping companies and enterprises at different levels.

In 2023, the recovery on global economy and trade still face risks such as deflation, geopolitical conflicts, international trade friction, supply chain disruption, etc. The integration of ports worldwide and the inland logistics accelerates, while the construction of automated port is still in the ascendant. With the environmental protection and low carbon requirements on ports become more and more strict, both development opportunities and challenges coexist, and higher requirement is called for the establishment of world leading ports. The Group will persistently uphold the principle of maintaining stability, making progress while maintaining stability. Driven by the dual-wheel model of "endogenous growth" and "innovation and upgrade", with its work centered on the top priority of high quality development, the Group will focus on green, smart and safety development, make efforts on promoting cost reduction and efficiency enhancement, and spare no effort on implementing every development measures in order to make stable progress on becoming a "world's leading comprehensive port service provider with high quality".

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 2023.

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 HKSE 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 Board, the Company has complied with the code provisions set out in Part 2 of 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 2023, except the following: -

In respect of Code Provision F.2.2 under the Corporate Governance Code, Mr. Deng Renjie, the then Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2023 due to business trip. Mr. Yim Kong, the Non-executive Director of the Company and the Vice Chairman of the Board, took chair of the annual general meeting according to the Company's articles of association.

In order to ensure effective communication with the shareholders, the Chairman of the Audit Committee and other Board members and the external auditor were present at the annual general meeting of the Company held on 2 June 2023 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 HKSE

The 2023 interim report will be despatched to shareholders and published on the website of the HKSE 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
Feng Boming
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises Mr. Feng Boming (Chairman), Mr. Yim Kong and Mr. Yang Guolin as Non-executive Directors; Mr. Xu Song, Mr. Lu Yongxin and Mr. Tu Xiaoping as Executive Directors; and Mr. Chan Hiu Fung Nicholas, Ms. Chan Yuen Sau Kelly, Mr. Li Ka Fai David, Mr. Wong Chi Wing and Ms. Wong Pui Wah as Independent Non-executive Directors.