

WE
CONNECT
THE
WORLD

INTERIM REPORT 中期報告 2020



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

Stock Code 股份代號: 00144

South Korea

Kaohsiung

Tianjin

Qingdao

Shanghai

Ningbo

Shantou

Zhangzhou

Shenzhen

Hong Kong

Zhanjiang

Shunde

Sri Lanka

Australia

United States

Turkey

Djibouti

Greece

Malta

Belgium

Morocco

Togo

Nigeria

Côte d'Ivoire

France

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United States 美國

Jamaica 牙買加

Brazil 巴西

Morocco 摩洛哥

France 法國

Malta 馬爾他

Greece 希臘

Turkey 土耳其

Ukraine 烏克蘭

Netherlands 荷蘭

Belgium 比利時

Togo 多哥

Nigeria 尼日利亞

Côte d'Ivoire 科特迪瓦

Indian Subcontinent and Africa 印度次大陸及非洲



Colombo, Sri Lanka

斯里蘭卡，科倫坡

Colombo International Container Terminals

Hambantota, Sri Lanka

斯里蘭卡，漢班托塔

Hambantota International Port Group

Lomé, Togo

多哥，洛美

Lomé Container Terminal

Lagos, Nigeria

尼日利亞，拉各斯

Tin-Can Island Container Terminal

City of Djibouti, Djibouti

吉布提，吉布提市

Port de Djibouti

Abidjan, Côte d'Ivoire

科特迪瓦，阿比讓

Terra Abidjan



City of Djibouti, Djibouti

吉布提，吉布提市

Djibouti International Free Trade Zone

Europe and Mediterranean Sea 歐洲及地中海



Casablanca, Morocco

摩洛哥，卡薩布蘭卡

Somaport

Tangier, Morocco

摩洛哥，丹吉爾

Eurogate Tanger

Marsaxlokk, Malta

馬爾他，馬沙斯洛克

Malta Freeport Terminals

Fos, France

法國，福斯

Eurofos

Le Havre, France

法國，勒阿弗爾

Terminal de France

Terminal Nord

Dunkirk, France

法國，敦克爾克

Terminal des Flandres

Montoir, France

法國，蒙圖瓦爾

Terminal du Grand Ouest

Antwerp, Belgium

比利時，安特衛普

Antwerp Gateway

Rotterdam, the Netherlands

荷蘭，鹿特丹

Rotterdam World Gateway

Thessaloniki, Greece

希臘，塞薩洛尼基

Thessaloniki Port Authority

Istanbul, Turkey

土耳其，伊斯坦布爾

Kumport

Odessa, Ukraine

烏克蘭，敖德薩

Odessa Terminal

Asia, Americas and Oceania 亞洲、美洲及大洋洲



Paranaguá, Brazil

巴西，巴拉那瓜

Terminal de Contêineres de Paranaguá

Newcastle, Australia

澳大利亞，紐卡斯爾

Port of Newcastle

Singapore

新加坡

CMA CGM-PSA Lion Terminal

Busan, South Korea

南韓，釜山

Busan New Container Terminal

Ho Chi Minh City, Vietnam

越南，胡志明市

Vietnam International Container Terminals

Laem Chabang, Thailand

泰國，林查班

Laem Chabang International Terminal

Kingston, Jamaica

牙買加，金斯頓

Kingston Freeport Terminal

Miami, United States

美國，邁阿密

South Florida Container Terminal

Houston, United States

美國，侯斯頓

Terminal Link Texas

Umm Qasr, Iraq

伊拉克，烏姆蓋薩爾

Umm Qasr Terminal



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

Pearl River Delta 珠三角地區



Mega SCT
蛇口集裝箱碼頭

Chiwan Container Terminal
赤灣集裝箱碼頭

Mawan Container Terminal
媽灣集裝箱碼頭

China Merchants Port Services
招商港務

Shenzhen Haixing Harbour Development
深圳海星港口發展

China Merchants Container Services
招商局貨櫃服務

Modern Terminals
現代貨箱碼頭

Guangdong Yide Port
廣東頤德港口

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



China Merchants Bonded Logistics
招商局保稅物流

Yangtze River Delta 長三角地區



Shanghai International Port Group
上海國際港務集團

Ningbo Daxie China Merchants International Terminals
寧波大榭招商國際碼頭

Ningbo Zhoushan Port
寧波舟山港

South-East Region 東南地區



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

Zhangzhou China Merchants Port
漳州招商局碼頭

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

South-West Region 西南地區



Zhanjiang Port Group
湛江港集團

Kaohsiung, Taiwan 台灣，高雄



Kao Ming Container Terminal
高明貨櫃碼頭

Bohai Rim 環渤海地區



Dalian Port
大連港

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

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

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

Qingdao Port International
青島港國際

Tianjin Port Container Terminal
天津港集裝箱碼頭



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

Tianjin Haitian Bonded Logistics
天津海天保稅物流



Ports 碼頭業務



Logistics 綜合物流業務

Corporate Information

BOARD OF DIRECTORS

Mr. Deng Renjie (*Chairman*)

(appointed on 13 February 2020)

Mr. Fu Gangfeng (*Chairman*)

(resigned on 13 February 2020)

Mr. Su Jian

Mr. Xiong Xianliang

Mr. Bai Jingtao (*Managing Director*)

Mr. Ge Lefu

Mr. Wang Zhixian

Mr. Zheng Shaoping

Mr. Kut Ying Hay*

Mr. Lee Yip Wah Peter*

Mr. Li Ka Fai David*

Mr. Bong Shu Ying Francis*

* *independent non-executive director*

REGISTERED OFFICE

38th Floor, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

China Development Bank

Bank of China

China Construction Bank

China Merchants Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISER

Linklaters

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

WEBSITE

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

Financial Highlights

	For the six months ended 30 June		Year-on-year changes
	2020 HK\$'million	2019 HK\$'million	
Consolidated statement of profit or loss highlights			
Revenue	4,077	4,464	(8.7%)
Profit attributable to equity holders of the Company	1,546	6,529	(76.3%)
Non-recurrent gains, net of tax ¹	(137)	(4,484)	(96.9%)
Recurrent profit	1,409	2,045	(31.1%)
Earnings per share (HK cents)			
Basic	44.83	196.07	(77.1%)
Dividend per share (HK cents)			
Interim dividend	18.00	22.00	(18.2%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	1,823	2,356	(22.6%)

	30 June	31 December	Changes
	2020 HK\$'million	2019 HK\$'million	
Consolidated statement of financial position highlights			
Total assets	151,805	149,082	1.8%
Capital and reserves attributable to equity holders of the Company	76,473	79,783	(4.1%)
Net interest-bearing debts and lease liabilities ²	37,901	31,616	19.9%

	For the six months ended 30 June		Year-on-year changes
	2020 HK\$'million	2019 HK\$'million	
Revenue			
Ports operation	3,786	4,145	(8.7%)
Bonded logistics operation	212	230	(7.8%)
Other operations	79	89	(11.2%)
Total	4,077	4,464	(8.7%)
EBITDA³			
Ports operation	2,493	3,224	(22.7%)
Bonded logistics operation	103	143	(28.0%)
Other operations	151	142	6.3%
EBITDA	2,747	3,509	(21.7%)
Share of profits less losses of associates and joint ventures	1,599	2,093	(23.6%)
Unallocated net (expenses)/income ⁴	(105)	5,171	(102.0%)
Finance costs, net	(812)	(889)	(8.7%)
Taxation	(430)	(2,109)	(79.6%)
Depreciation and amortisation	(998)	(985)	1.3%
Non-controlling interests	(455)	(261)	74.3%
Profit attributable to equity holders of the Company	1,546	6,529	(76.3%)

- For 2020, include gain on resumption of certain land parcels at Shantou, net of tax of HK\$277 million, increase in fair value of investment properties, net of tax of HK\$99 million, and net loss on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK\$239 million. For 2019, include gain on deemed disposal of interest in a joint venture, net of tax of HK\$456 million, gain on resumption of certain land parcels at Qianhai, net of tax of HK\$3,281 million, increase in fair value of investments properties, net of tax of HK\$68 million, and net gain on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK\$679 million.
- Total interest-bearing debts and lease liabilities less cash and bank balances.
- Earnings before finance costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, unallocated income less expenses and profit attributable to non-controlling interests of the Company and its subsidiaries.
- For 2020, include expenses for corporate function. For 2019, include expenses for corporate function, gain on deemed disposal of interest in a joint venture and gain on resumption of certain of land parcels at Qianhai.

**Management
Discussion and Analysis**



GENERAL OVERVIEW

During the first half of 2020, given the wider spread of the COVID-19 pandemic across more geographical regions in the world and its prolonged duration, the global economic activities showed a significant decline. According to the “World Economic Outlook” report published by the International Monetary Fund (“IMF”) in June 2020, the forecast for the global economy in 2020 was further adjusted downward to a contraction of 4.9% from the forecast of a contraction of 3.0% in April, representing a decrease of 7.8 percentage points as compared to that of 2019. Among that, developed economies were projected to fall by 8.0%, while emerging markets and developing economies to decline by 3.0%, down by 9.7 percentage points and 6.7 percentage points year-on-year, respectively. Besides, impacted by the suspension of factories around the world and reduction in market orders, the volume of global merchandise trade would fall between 13% in an optimistic scenario and 32% in a worse scenario according to the forecast of the World Trade Organization in April.

Facing the complex and challenging environment inside and outside China, China coordinated the promotion of pandemic prevention and containment as well as economic and social development. In addition to normalised pandemic prevention and containment, the Chinese economy has forged ahead with steady growth by adhering to the new development principles. With the work and production resuming in full scale, the economic activities have been recovering gradually with many positive signals, which has shown great resilience and potentials. During the first half of 2020, the Gross Domestic Product in China recorded a year-on-year decrease of 1.6%, among which, the first quarter recorded a year-on-year decrease of 6.8%, and the second quarter recorded a year-on-year growth of 3.2%, representing a quarter-on-quarter increase of 11.5%. According to the statistics published by the General Administration of Customs of

China, China’s total foreign trade of import and export value amounted to US\$2.0 trillion during the first half of this year, representing a year-on-year decrease of 6.6%, among which the export value was US\$1.1 trillion, fell by 6.2% year-on-year, and the import value totalled US\$0.9 trillion, down by 7.1% year-on-year. The overall performance of China’s foreign trade of import and export was better than expected in the first half and gradual stabilisation was witnessed in the second quarter.

The COVID-19 pandemic has caused a great blow to the global economy and trade, and global demand for maritime container shipping significantly declined during the first half of 2020. However, thanks to the broad idling of shipping capacity and cancellation of shipping routes by container shipping companies in a timely manner, the supply and demand structure in the shipping market has improved, and the freight rate turned around and improved by the rebounding demand with the reopening of the economy in Europe and the United States in the second quarter. According to the data published by the Ministry of Transport of China, the container throughput handled by Chinese ports totalled 120 million TEUs in the first half of 2020, representing a decrease of 5.4% year-on-year, of which, 107 million TEUs were handled by coastal ports, representing a year-on-year decrease of 5.0%.

During the first half of 2020, the Group’s ports handled a total container throughput of 54.87 million TEUs, up by 0.6% as compared with the corresponding period last year, and bulk cargo volume of 199 million tonnes, down by 10.9% over the same period of the previous year. As of 30 June 2020, the Group’s revenue amounted to HK\$4,077 million, representing a year-on-year decrease of 8.7%. Profit attributable to equity holders of the Company amounted to HK\$1,546 million, representing a year-on-year decrease of 76.3%.

Management Discussion and Analysis

BUSINESS REVIEW

Ports operation

In the first half of 2020, the Group's ports handled a total container throughput of 54.87 million TEUs, up by 0.6% year-on-year. Among that, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 42.63 million TEUs, representing a decrease of 3.3% year-on-year, which was mainly due to the impact on import and export demand arising from the spread of the COVID-19 pandemic across the world. A

total container throughput handled by the Group's overseas ports grew by 16.6% year-on-year to 12.24 million TEUs, which was mainly benefitted from the additional throughput contributed by the eight terminals acquired by Terminal Link SAS ("**Terminal Link**") on 26 March this year and the growth in throughput of Lomé Container Terminal S.A. ("**LCT**") in Togo and TCP Participações S.A. ("**TCP**") in Brazil. Bulk cargo volume handled by the Group's ports decreased by 10.9% year-on-year to 199 million tonnes, within which the Group's ports in Mainland China handled a total bulk cargo volume of 196 million tonnes, representing a decrease of 10.9% year-on-year.



The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2020 is as below:

Container Terminals	For the six months ended 30 June		Year-on-year changes
	2020 thousand TEUs	2019 thousand TEUs	
Mainland China, Hong Kong and Taiwan	42,629	44,065	(3.3%)
Pearl River Delta region	7,843	8,535	(8.1%)
West Shenzhen Port Zone	4,557	5,136	(11.3%)
China Merchants Container Services Limited and Modern Terminals Limited	2,630	2,728	(3.6%)
Chu Kong River Trade Terminal Co., Limited	481	544	(11.6%)
Guangdong Yide Port Limited	175	127	37.8%
Yangtze River Delta region	21,538	23,175	(7.1%)
Shanghai International Port (Group) Co., Ltd.	20,063	21,536	(6.8%)
Ningbo Daxie China Merchants International Terminals Co., Ltd.	1,475	1,639	(10.0%)
Bohai Rim region	11,081	10,231	8.3%
Dalian Port (PDA) Company Limited	3,601	5,066	(28.9%)
Qingdao Qianwan United Container Terminal Co., Ltd.	3,810	3,788	0.6%
Tianjin Port Container Terminal Co., Ltd.	3,670	1,377	166.5%
Others	2,167	2,124	2.0%
Zhanjiang Port (Group) Co., Ltd.	606	524	15.6%
Zhangzhou China Merchants Port Co., Ltd.	158	189	(16.4%)
Shantou China Merchants Port Group Co., Ltd.	622	594	4.7%
Kao Ming Container Terminal Corp.	781	817	(4.4%)
Other locations	12,239	10,494	16.6%
Colombo International Container Terminals Limited	1,375	1,371	0.3%
Lomé Container Terminal S.A.	605	537	12.7%
Tin-Can Island Container Terminal Ltd.	160	241	(33.6%)
Port de Djibouti S.A.	421	451	(6.7%)
TCP Participações S.A.	475	442	7.5%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	602	615	(2.1%)
Terminal Link SAS ^{Note}	8,601	6,836	25.8%
Total	54,868	54,559	0.6%

Note : Terminal Link SAS completed the acquisition of 8 container terminals in various locations in Asia and Europe on 26 March 2020.

Management Discussion and Analysis

Pearl River Delta region

Due to the impact of the pandemic, the Group's terminals in the West Shenzhen Port Zone handled a container throughput of 4.56 million TEUs and a bulk cargo volume of 3.83 million tonnes, down by 11.3% and 1.6% year-on-year respectively. Guangdong Yide Port Limited handled a container throughput of 0.18 million TEUs, up by 37.8% year-on-year, mainly driven by the steady growth of international volume since its commencement of service for foreign trade business in July 2019; and handled a bulk cargo volume of 1.54 million tonnes, up by 55.4% year-on-year, which was mainly attributed to the successful exploration of new major customers and maintenance of existing customers base. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 0.48 million TEUs and a bulk cargo volume of 1.21 million tonnes, down by 11.6% and 21.1% year-on-year respectively, mainly because certain international routes were cancelled due to the pandemic. Modern Terminals Limited and China Merchants Container Services Limited ("**CMCS**") in Hong Kong delivered an aggregate container throughput of 2.63 million TEUs, down by 3.6% year-on-year.

Yangtze River Delta region

Due to the impact of the pandemic, Shanghai International Port (Group) Co., Ltd. handled a container throughput of 20.06 million TEUs, down by 6.8% year-on-year. Bulk cargo volume handled declined by 43.8% year-on-year to 34.73 million tonnes. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.48 million TEUs, representing a decrease of 10.0% year-on-year.

Bohai Rim region

Due to the impact of the pandemic and the adjustment on business model, Dalian Port (PDA) Company Limited handled a container throughput of 3.60 million TEUs, down by 28.9% year-on-year; and driven by the growth in business volume of ores and import crude oil, its bulk cargo volume handled increased by 7.8% year-on-year to 67.94 million tonnes. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 3.81 million TEUs, representing an increase of 0.6% year-on-year. Qingdao

Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 7.88 million tonnes, representing an increase of 3.1% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 30.38 million tonnes, indicating an increase of 7.9% year-on-year. Since the Group has participated in the merger of container terminals in Tianjin which was completed in August 2019, Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 3.67 million TEUs during the first half of 2020, representing an increase of 166.5% as compared to 1.38 million TEUs handled by Tianjin Five Continents International Container Terminals Co., Ltd. held by the Group before the completion of the merger in the corresponding period last year.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. ("**Shantou Port**") handled a container throughput of 0.62 million TEUs, up by 4.7% year-on-year, which was mainly due to the growth in the volume of domestic transshipment containers; and a bulk cargo volume of 1.60 million tonnes, down by 59.1% year-on-year, dragged down by the impact of the pandemic and the environmental policies. Zhangzhou China Merchants Port Co., Ltd. ("**Zhangzhou Port**"), located in the Xiamen Bay Economic Zone, handled a container throughput of 0.16 million TEUs, decreased by 16.4% year-on-year, while its bulk cargo volume handled decreased by 44.9% year-on-year to 2.52 million tonnes, due to the significant decrease in the production volume of sandstone, a major cargo type, as affected by the environmental policies in the hinterland. Xia Men Bay China Merchants Terminals Co., Ltd., which officially commenced operation in May 2019, handled a bulk cargo volume of 0.10 million tonnes, up by 21.7% year-on-year.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. ("**Zhanjiang Port**") handled a container throughput of 0.61 million TEUs, up by 15.6% year-on-year, mainly attributable to the expansion of new shipping routes and the newly-added domestic transshipment business. It also handled a bulk cargo volume of 44.25 million tonnes, down by 0.1% year-on-year.



Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung handled a total container throughput of 0.78 million TEUs, representing a decrease of 4.4% year-on-year.

Overseas operation

During the first half of 2020, a total container throughput handled by the Group's overseas projects increased by 16.6% year-on-year to 12.24 million TEUs. In Sri Lanka, Colombo International Container Terminals Limited ("**CICT**") handled a container throughput of 1.38 million TEUs, up by 0.3% year-on-year; and the bulk cargo volume handled by Hambantota International Port Group (Private) Limited ("**Hambantota Port**") was 0.18 million tonnes, declined by 60.2% year-on-year, which was mainly due to the impact of the pandemic on the business demand in the hinterland. Its RORO terminal handled 0.17 million vehicles, grew by 1.4% year-on-year. Container throughput handled by LCT in Togo increased by 12.7% year-on-year to 0.61 million TEUs, as shipping companies have moved some transshipment routes to LCT from regions seriously impacted by the pandemic. Benefitted

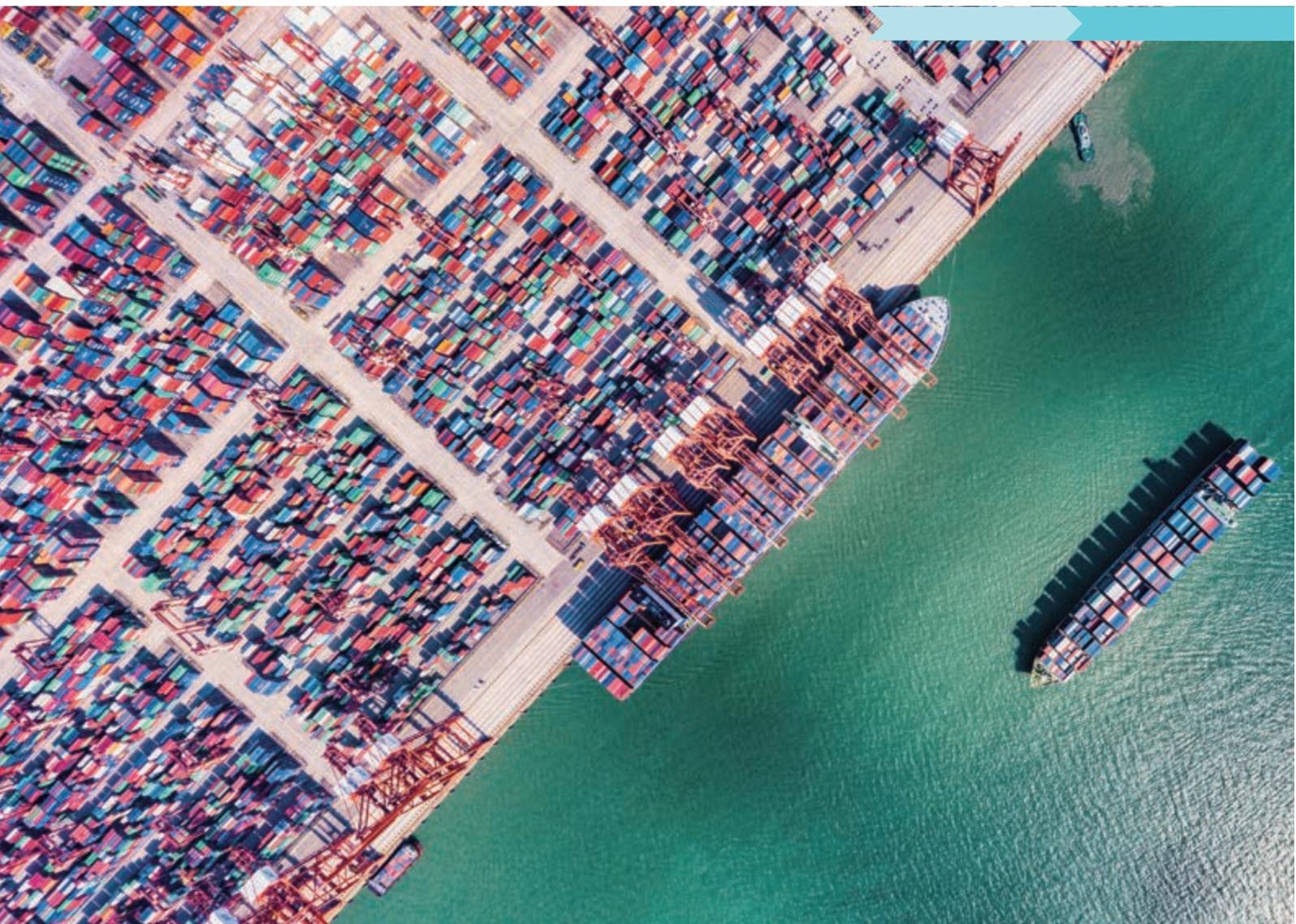
from the increase in container volume driven by the growth in the export of agricultural and meat products, TCP in Brazil handled a container throughput of 0.48 million TEUs, up by 7.5% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.16 million TEUs, representing a decrease of 33.6% year-on-year, which was mainly due to the decrease of import demand affected by the pandemic and the oil price slump. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.42 million TEUs, down by 6.7% year-on-year, and a bulk cargo volume of 2.85 million tonnes, down by 0.7% year-on-year. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.60 million TEUs, representing a decrease of 2.1% year-on-year; while bulk cargo volume handled was 0.02 million tonnes, down by 60.7% year-on-year, which was mainly due to the impact of the pandemic on marble exports. Terminal Link handled a container throughput of 8.60 million TEUs, up by 25.8% year-on-year, mainly benefitted from the contribution of container throughput handled by the eight new terminals, of which the acquisition was completed in March this year.

Management Discussion and Analysis

Strategic deployments in the ports operation

During the first half of 2020, the Group, with an unwavering aspiration, adhered to its strategic directives and the general operation philosophy of “enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world’s leading enterprise”, and made innovation with a pragmatic attitude. Striving for

breakthroughs in seven key aspects, namely the development of homebase port, overseas expansion, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce, the Group actively pushed forward various key tasks, optimised and upgraded its core ports operation during the past half-year.

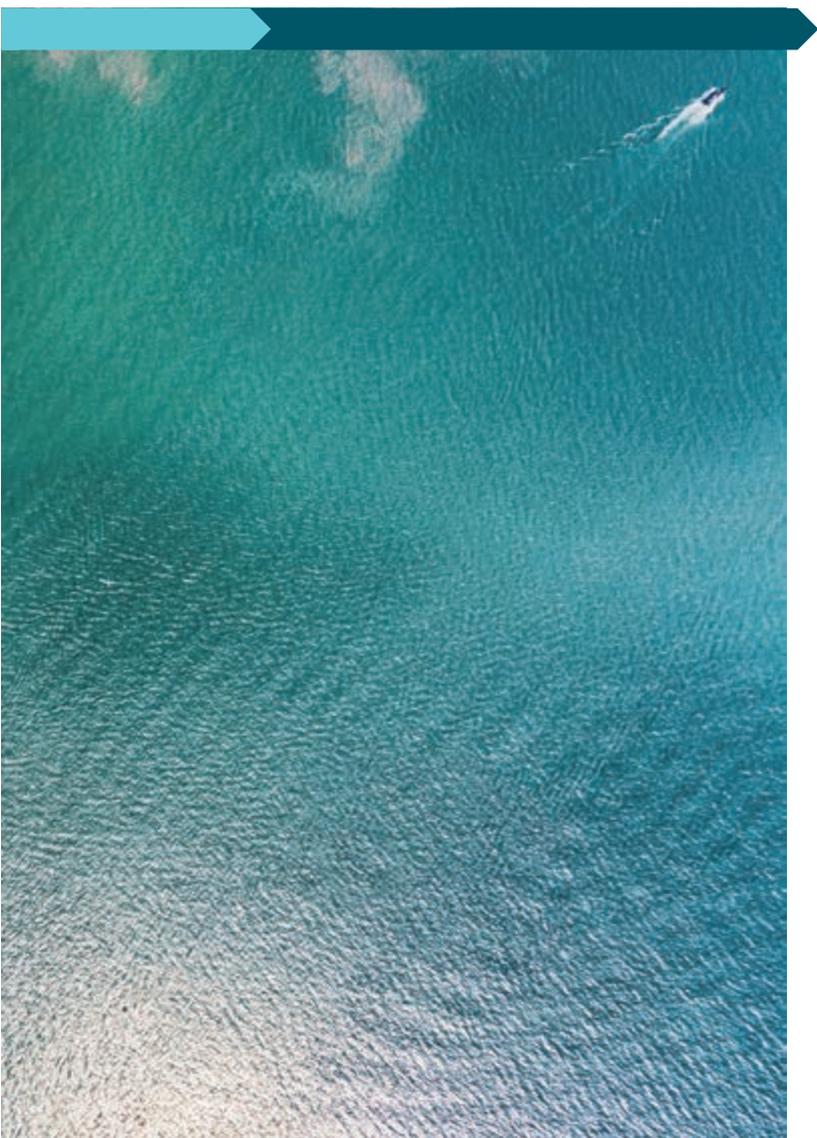


Regarding the development of homebase port, the Group has adhered to the strategic objective of “building world-class leading ports”, for which it has made strenuous efforts to advance the development of leading ports. The integration in the West Shenzhen Port Zone was accelerated to improve customer service. With the expanded business of reefer containers of import fruits, more boutique shipping routes from Southeast Asia were attracted, which promoted the formation of agglomeration effects in the region. The Group also continued to promote the development of channels in the West Shenzhen by completing the delivery

and acceptance of section II and III of the Public Channel and expediting the construction of phase II of the navigation channel outside the West Shenzhen Port Zone, as well as trying to realise regular night services of Tonggu Channel as soon as possible, thereby enhancing the navigation capability and competitiveness of the West Shenzhen Port Zone. The transformation project of Haixing Intelligent Port was officially renamed as “Mawan Smart Port Project”, and the transformation project has been progressing steadily as planned. Overseas homebase ports, which are market-oriented, actively expanded its business and the reach of the hinterland, enhanced service capability and expanded its value-added services. CICT succeeded in obtaining the calls of several maiden voyages of large liners through sound commercial efforts, thereby further secured business volume and diversified service of routes. Hambantota Port welcomed the first fuel oil vessel arrived in April this year for berthing and unloading, which has marked the official commencement of fuel oil bunkering service for vessels, so as to supply low-sulfur fuel oil to cargo ships and ocean-going fishing vessels. Besides, the Group accelerated the establishment of a maritime service company, with a view to enhancing the value added to the industry.

As for overseas expansion, the Group completed the acquisition of equity interest in the eight out of the ten target terminals through Terminal Link on 26 March this year. With this investment, the Group’s port operations will be expanded to cover regions such as Southeast Asia, South Asia, Europe and the Caribbean Sea, etc., thereby further optimising its layout of global ports network.

With regard to innovative development, the Group proactively pushed forward the “digitalisation strategy”. “CM ePort” project has completed the technological realisation of product launch and integration at Zhangzhou Port, Zhanjiang Port, etc. Besides, the Group signed the contract for CTOS project with the Thessaloniki Port Authority in Greece in early July, and will take this opportunity to promote the extensive application of the “CMCore” platform in the ports and logistics industry in Europe. In addition, the Group was contracted to the “Guangdong-Hong Kong-Macao Greater Bay Area Port Logistics and Trade Facilitation Blockchain Platform” project. With pushing the data of logistics and customs clearance stored on the blockchain, the Group will



Management Discussion and Analysis

be able to promote the innovation of new business model for the combination ports in the Pearl River Delta region, and enhance trade and logistics facilitation. In the future, it will be integrated into the operation of “CM ePort” platform as a whole and applied in other ports gradually. Moreover, the Mawan Smart Port Project, centring on nine intelligent elements, namely CMCore, CM ePort, artificial intelligence, the application of 5G network, Beidou high-precision positioning system, automation, smart customs, blockchain, as well as green and low-carbon operation, has progressed steadily. The Smart Bulk Terminal project at Zhanjiang Port also progressed as planned, which aims at establishing a system and solution for the transformation of traditional bulk terminals towards automation. Furthermore, the Group initiated the “Smart Management Platform” project, which will provide all-rounded empowerment of intelligence in terms of operation, management and control, monitoring, decision-making and service provision, with a view to enhancing the Group’s intelligent management comprehensively. The Group has attached importance to the strategic cooperation with leading enterprises in the Internet sector, such as Alibaba and Tencent, with which it has signed the strategic cooperation framework agreement, with a view to building a digitalised ecosystem of ports and logistics in collaborative efforts.

With respect to comprehensive development, the Group actively implemented the comprehensive development model of “Port-Park-City”. During the first half of 2020, Hambantota Port continued to promote the induction of business and investment, while Djibouti International Free Trade Zone kept on enhancing its capability in providing customers with value-added services and improved its service on quality. As at the end of June, 83 enterprises from different countries and regions were registered in the zone, with a total leased area of 12% to the total area.

Regarding operation management, the Group strived to develop a world-class operation management system. Adhering to the principle of differentiation and manageable risks and with reference to the strategic positioning of its subsidiaries, the Group continued to promote the sound development of its subsidiaries by further enhancing the management of investment plans and the performance appraisal system. Besides, the Group further pushed forward the efforts in improving quality and efficiency, and pushed in-depth integration of the improvement of quality and efficiency with strategic goals, centring on improving the quality of initiatives. With a focus on key businesses, the Group endeavoured on implementation. The Group further optimised the structure of the working group for the improvement of quality and efficiency, so as to explore potentials, strengthen team building, and give full play to collaborative efforts.

In respect of capital operation, the Group has adhered to the work approach of revitalising the existing asset and optimising asset structure. Following the introduction of strategic investors to TCP in Brazil at the end of 2019, the Group continued to introduce a strategic investor, Fujian Transportation Maritime Silk Road Investment and Management Co. Limited (福建省交通海絲投資管理有限公司), to Hambantota Port this year, with a view to optimising asset portfolio and corporate governance structure while maintaining the Group’s control over Hambantota Port. Synergies with Hambantota Port will be realised by leveraging on the advantage of resources of its various shareholders both at home and abroad, thereby achieving sustainable development of Hambantota Port in the long run.

With regard to marketing and commerce, various business promotion and marketing activities were continued to be planned and coordinated by the headquarters for customers both at home and abroad. During the pandemic, the Group maintained close communications with customers to ensure the smooth operation of businesses and services. It also actively explored new business channels by fully utilising the Group’s resource advantages of terminals across Northern and Southern China, with an aim to optimising the routes network with continuous exploration on the North-South boutique shipping routes.

Bonded logistics operation

In the first half of 2020, the Group’s bonded logistics business continued to pursue the development direction of a diverse integrated services business. The Group has put more efforts in marketing and enhanced the utilisation rate of resources at the existing warehouses and yards so as to respond to market changes. The average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen reached 92%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. made full use of its resources to develop self-operated business and the average utilisation rate of warehouse was 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 66% of its warehouses. In Djibouti International Free Trade Zone, the average utilisation rate of the bonded warehouse, which the Group invested in, was 78%. Besides, the wholly-owned bonded warehouse of the Group commenced operation in May 2019, and recorded an average warehouse utilisation rate of 30% during the first half of this year.

During the first half of 2020, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.77 million tonnes, down by 13.3% year-on-year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.36 million tonnes, representing a decrease of 5.8% year-on-year and a market share of 20.1%, increased by 1.5 percentage points as compared with the corresponding period last year.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded a revenue of HK\$4,077 million, down 8.7% year-on-year, which was mainly due to the decrease in business volume as affected by the pandemic. Profit attributable to equity holders of the Company amounted to HK\$1,546 million, representing a decrease of 76.3% year-on-year, which included a gain of HK\$277 million (net of tax) on resumption of certain land parcels at Shantou during the period, while the amount for the same period last year included a gain of HK\$3,281 million (net of tax) on resumption of certain land parcels at Qianhai and a gain of HK\$456 million (net of tax) on deemed disposal of interest in a joint venture. Due to the impact of the pandemic, the recurrent profit^{Note 1} decreased by 31.1% year-on-year to HK\$1,409 million, which was due to the decrease in revenue and decrease in share of profits of associates.

As at 30 June 2020, total assets of the Group increased by 1.8% from HK\$149,082 million as at 31 December 2019 to HK\$151,805 million, which was mainly attributed to the subscription of mandatory convertible bonds issued by, and provision of loan to, an associate. Meanwhile, the total liabilities of the Group increased by 10.1% from HK\$54,948 million as at 31 December 2019 to HK\$60,476 million as at 30 June 2020 due to the increase in bank loans. As at 30 June 2020, net assets attributable to equity holders of the Company was HK\$76,473 million, down by 4.1% as compared to that as at 31 December 2019. This was mainly attributed to the losses on translation 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 or Brazilian Real and any exchange difference so arising from retranslation of these financial statements have been dealt with in the 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.

In general, the Group's ports operation continued to yield stable cash inflow. The Group's total net cash inflow from operating activities for the six months ended 30 June 2020 was HK\$1,823 million, a decrease of 22.6% as compared with the corresponding period of last year. For the six months ended 30 June 2020, due to the fact that capital expenditure on business acquisitions increased significantly as compared to the same period of last year, the Group's cash outflow from investment activities increased from HK\$504 million to HK\$7,654 million, including the subscription of mandatory convertible bonds issued by, and provision of loan to, an associate in an aggregate amount of HK\$6,319 million during the current period. At the same time, as a result of significant increase in new loans granted as compared to the same period of last year, the Group's cash flow from financing activities for the six months ended 30 June 2020 increased from a net outflow of HK\$1,905 million in the same period of last year to a net inflow of HK\$3,861 million for the current period.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2020, the Group had approximately HK\$6,626 million in cash and bank balances, 1.28% of which was denominated in Hong Kong dollars, 10.31% in United States dollars, 73.16% in Renminbi, 8.90% in Euro, 5.13% in Brazilian Real and 1.22% 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\$1,823 million in total.

During the period, the Group incurred capital expenditure of HK\$760 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\$22,586 million, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for the first half of 2020, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties and gain on resumption of certain land parcels at Shantou; while for the first half of 2019, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties, gain on deemed disposal of interest in a joint venture and gain on resumption of certain land parcels at Qianhai.

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SHARE CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2020, the Company had 3,448,947,770 shares in issue. In July 2020, the Company issued 158,692,653 shares under the Company's scrip dividend scheme.

As at 30 June 2020, the Group's net gearing ratio ^{Note 2} was approximately 41.5%.

The Group had aggregate bank loans and listed notes payable of HK\$31,713 million as at 30 June 2020 that contain customary cross default provisions.

As at 30 June 2020, the Group's outstanding interest-bearing loans and notes are analysed as below:

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
Floating-rate bank loans which are repayable as follows (Note (a)):		
Within 1 year	7,947	5,643
Between 1 and 2 years	1,370	1,850
Between 2 and 5 years	2,433	2,737
More than 5 years	869	866
	12,619	11,096
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	5,238	920
Between 1 and 2 years	—	47
More than 5 years	27	28
	5,265	995
Floating-rate listed notes payable which are repayable:		
In 2021	194	249
In 2022	429	547
	623	796
Fixed-rate listed notes payable which are repayable:		
In 2020	1,550	1,557
In 2022	3,860	3,875
In 2023	6,936	6,964
In 2025	3,861	3,877
In 2028	4,596	4,616
	20,803	20,889
Fixed-rate unlisted notes payable which are repayable:		
In 2022	2,746	2,791

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

As at 30 June 2020, the Group's outstanding interest-bearing loans and notes are analysed as below: (continued)

	30 June 2020	31 December 2019
	HK\$'million	HK\$'million
Loans from fellow subsidiaries which are repayable as follows (Note (b)):		
Within 1 year	94	509
Between 1 and 2 years	47	69
Between 2 and 5 years	219	287
More than 5 years	151	162
	511	1,027
Loan from immediate holding company		
Repayable within 1 year	521	366
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	467	454

Notes:

- (a) All loans are unsecured except for the secured bank loans of HK\$3,100 million (31 December 2019: HK\$3,358 million).
- (b) All loans are unsecured except for the secured loan from a fellow subsidiary of HK\$161 million (31 December 2019: HK\$167 million).

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

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from fellow subsidiaries	Loan from immediate holding company	Loan from a non- controlling equity holder of a subsidiary	Total
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
As at 30 June 2020							
HKD & USD	11,237	20,803	—	—	—	—	32,040
RMB	4,827	—	2,746	511	521	—	8,605
EURO	1,242	—	—	—	—	467	1,709
Brazilian Real	578	623	—	—	—	—	1,201
	17,884	21,426	2,746	511	521	467	43,555
As at 31 December 2019							
HKD & USD	5,068	20,889	—	—	—	—	25,957
RMB	4,703	—	2,791	1,027	366	—	8,887
EURO	1,380	—	—	—	—	454	1,834
Brazilian Real	940	796	—	—	—	—	1,736
	12,091	21,685	2,791	1,027	366	454	38,414

Management Discussion and Analysis

ASSETS CHARGE

As at 30 June 2020, bank loans of HK\$501 million (31 December 2019: HK\$474 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK\$414 million (31 December 2019: HK\$417 million) and right-of-use assets with carrying value of HK\$214 million (31 December 2019: HK\$221 million). Loan from a fellow subsidiary borrowed by a subsidiary of the Company amounting to HK\$161 million (31 December 2019: HK\$167 million) was secured by right-of-use assets with carrying value of HK\$134 million (31 December 2019: HK\$135 million). In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary were pledged to various banks for bank loans of HK\$2,599 million (31 December 2019: HK\$2,884 million).

CONTINGENT LIABILITIES

Save as disclosed in note 20 to the condensed consolidated interim financial information in this interim report, the Group did not have any other significant contingent liabilities as at 30 June 2020.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in this interim report, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the period of review. However, subsequent to the end of the reporting period, the Company entered into a share transfer deed on 29 June 2020 for disposal of its approximately 23.53% interest in, and 23.53% of the shareholder's loan advanced by the Company to, Gainpro Resources Limited ("**Gainpro**"), a wholly-owned subsidiary of the Company whose principal asset is its interest in 85% of the issued share capital of Hambantota International Port Group (Private) Limited. The partial disposal of Gainpro has been completed in August 2020. Details of the transaction are set out in note 22 to the condensed consolidated interim financial information in this interim report.

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

Save as disclosed in this interim report, the Group did not have any other plans for material investments or acquisition of capital assets as at 30 June 2020.

EMPLOYEES AND REMUNERATION

During the first half of 2020, the COVID-19 pandemic brought great impact to the world. Facing the complex and changing dynamics of the pandemic, the Group arranged resumption of work and production in a safe and orderly manner with effective pandemic prevention and containment measures. On one hand, to secure the health and safety of its employees, the Group provided masks, sanitisers and other protective resources to the staff at the headquarters and its subsidiaries, including overseas ports, in a timely manner, and launched educational programmes for pandemic prevention on various platforms and via different means. On the other hand, the Group, with the access to the real-time information of the health conditions of its employees, fully utilised mobile office solutions and flexible work-from-home arrangement during the pandemic to reduce human contact and the infection risks of its employees, while ensuring the normal operation of businesses.

The Group actively applied digital and innovative means in pandemic prevention and containment. It launched HR-Max, an integrated management platform of human resources with functions covering mobile clock in, online medical consultation, learning centre and one-click alert to provide employees with remote medical service, knowledge on pandemic prevention, and emergency-reporting function for overseas employees, etc. The Group also paid attention to employees' physical and mental conditions during the pandemic. It launched the "Enlightening Mental Journey (啟明心航)", an employee assistance programme for caring staff's mental condition. The programme provided mental health services, including seminars, psychological assessment and one-on-one consultations for employees, with a view to relieving their stress during the pandemic. During the first half of 2020, a total of 614 employees took the online mental health courses, while 23 employees received psychological counselling. Since pandemic prevention and containment has become a norm in the current stage, the Group will continue to provide employees with physical supplies and mental support, with a view to enhancing their sense of security and happiness, thereby maintaining the stability of teams of talents.

During the first half of 2020, the HKSAR Government has launched the "Employment Support Scheme" under the second round of the "Anti-epidemic Fund" to provide financial support to employers on salary payment to the employees, with an aim to achieve "employment security". CMCS, a wholly-owned subsidiary of the Company which was eligible for the application under the relevant scheme, lodged an application to the HKSAR Government in early June and was granted a subsidy amounting to approximately HK\$3 million. In compliance with its undertakings, CMCS will not implement redundancies during the subsidy period and use all the subsidies on paying salary to the employees, thereby supporting the stability in the operation and employees of CMCS and securing employment as well as the rights and interests of the employees.

As at 30 June 2020, the Group employed 7,848 full-time staff, of which 186 worked in Hong Kong, 5,126 worked in Mainland China, and the remaining 2,536 worked overseas. The remuneration paid by the Group during the period amounted to HK\$811 million, representing 26.7% of the total operating expenses of the Group. Centred on the established development strategy, the Group formulated and continued to optimise its salary and incentive system based on the concept of refined management on human resources. Adjustments to individual's remuneration were reviewed annually with reference to the Group's results, individual's performance, human resources market and the general economy. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their contribution and efforts to the Group. 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 the individual's duties and responsibilities in the Company, experience and the prevailing market conditions.

The Group also attaches importance to employees' continuing development. Considering the business development and the requirements of the position, the Group has invited experts and professional institutions to provide various online and offline training courses that were up-to-date, abundant and diversified for employees in different positions and levels. Continuous improvement of the required skills of employees in various positions provided support to the Group's development from the perspective of human resources.

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

Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITY

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

The Group has committed to the objective of building an enterprise of green ports. During the first half of 2020, the Group has formulated a preliminary assessment management system on energy conservation and environmental protection, with a view to further facilitating the effective execution of managing energy conservation and environmental protection, and identified and responded to the risks arising from climate change, so as to strengthen the assessment and management of environmental risks. During the first half of 2020, besides carrying on regular pandemic prevention and containment, the Group also organised its subsidiaries, with reference to their actual condition and mainly conducted online, to participate in the national energy-saving week themed “Save Energy and Improve Efficiency to Preserve Green Waters and Hills (綠水青山, 節能增效)” and the national low-carbon day themed “Green and Low-carbon Development to Build a Moderately Prosperous Society in All Respects (綠色低碳, 全面小康)”. These group-wide in-depth educational campaigns on energy-saving and low-carbon practice greatly enhanced the awareness of environmental protection on reducing waste, conserving resources, green and low-carbon emission, which created a strong atmosphere of energy-saving and emission reduction within the Group. By organising activities such as campaigns, trainings and workshops related to energy conservation and environmental protection, the Group has fully embedded the concept of energy conservation and emission reduction into daily office work. With the campaign to encourage waste recycling such as used batteries, the Group continued to improve its energy conservation, emission reduction and environmental management. The Group also continued to push forward the “substitution of fuel-powered equipment with electricity-powered equipment (油改電)”

project of container gantry cranes at its subsidiaries, with a view to promoting green development of the Group’s ports gradually. Shantou Port commenced the transformation project of “substitution of fuel-powered equipment with electricity-powered equipment (油改電)” for its rubber-tired gantry cranes, which will convert the power supply from diesel generator to hybrid power of alternating current and lithium batteries, thereby achieving zero emission of waste gas from the equipment, reducing noise of engines and enhancing energy utilisation rate.

During the pandemic in 2020, the Group ensured the normal operation of its ports while actively adopted effective measures for pandemic prevention and control. In particular, the Group opened green paths for vessels loading with supplies for pandemic prevention and containment, offering priority in berthing and unberthing, operation, as well as the collection, distribution and transportation, so as to ensure quick collection and transportation of supplies for pandemic prevention and containment, which demonstrated the positive effect of port operator on the transportation of those supplies. For the incoming laden containers from domestic and overseas ports that carried supplies related to pandemic prevention and containment, member companies of the Group reduced or waived the fees of using warehouses and yards, weathering the difficult times together with its customers during the pandemic. Meanwhile, the Group donated supplies for pandemic prevention and containment to countries like Sri Lanka, Djibouti and Bangladesh, etc.

In Sri Lanka, the Group organised and donated a large amount of supplies for pandemic prevention and containment to local government departments and hospital. During the period of imposing the martial law and curfew in Sri Lanka, there was a shortage of food and daily necessities in some local nursing homes, temples and churches. The Group took the initiative in procuring various types of food and daily necessities, and delivered them to nursing homes and other places in a timely manner. It also gave food to local people living in poverty to get through the difficult times with them, which enhanced the relationship of the Group with the communities and people nearby.

FUTURE PROSPECTS

Looking forward into the second half of 2020, the global economic outlook is full of uncertainties, which is still mainly due to the duration of the pandemic and the necessary lockdown measures. Besides, risk factors such as global economic and trade frictions, bubbles from large-scale easing policies, and price volatility of oil and other commodities will pose challenges to global economic recovery. For some developed economies, the pandemic rebound has aggravated market concern over another outbreak of the pandemic, while for some emerging markets, the pandemic is still severe. Since the vaccine may not be invented in a short time, maintaining social distancing and necessary quarantine arrangement will affect the speed and momentum of economic recovery. Meanwhile, with major economies like Europe and the United States resuming work and production, and the easing fiscal and monetary policies implemented earlier by various countries showing effect gradually, and production of enterprises and households' consumption picking up slowly, the decrease of the global economy may narrow down in the second half of 2020. According to the forecast of the IMF, global economic growth in 2020 would be -4.9%, representing a decrease of 7.8 percentage points as compared to that of 2019. Among that, the economic growth of developed economies would be -8.0%, while that of emerging markets and developing economies would be -3.0%, down by 9.7 percentage points and 6.7 percentage points, respectively, as compared to those of 2019. Besides, the volume of global merchandise trade (including goods and services) would fall by 11.9% year-on-year, representing a decline of 12.8 percentage points as compared to that of 2019. If the pandemic avoids another significant outbreak, it is forecasted the growth rate of the global economy will rise to 5.4% in 2021.

In the second half of 2020, China will coordinate and facilitate regular pandemic prevention and containment, as well as economic and social development, ensuring stability on the six fronts and security in the six areas with full efforts. It is anticipated that the Chinese economy will pick up gradually in the second half, taking the lead of global economic recovery while forging ahead in the direction of high-quality development. Despite the pressure of persistently weak external demand, it is anticipated that the Chinese economy will show rapid recovery in the second half, which will be significantly better than that of the first half of the year, following the leading growth in domestic investment, constant rebound of consumption and full resumption of production of industrial enterprises. According to the latest "World Economic Outlook" report published by the IMF, it is anticipated that the growth rate of the Chinese economy in 2020 will be 1.0%, the only country to achieve positive growth among major economies in the world, and will rebound at a growth rate of 8.2% in 2021. Despite the short-term impact brought by the pandemic, the Chinese economy's development dynamics of steady growth remains unchanged in the long run.

In the second half of 2020, the demand for transportation of containers will recover gradually following the progressing resumption of work and production around the world. Meanwhile, shipping companies have the incentive to effectively control the market supply of shipping capacity at a level lower than that of last year, maintaining a good relationship between supply and demand, thereby keeping the freight rate in a reasonable range, which will help avoid industry-wide loss and the risks in the global supply chain. According to the Clarksons, a shipping consultancy, there are signs indicating that the worst time for the shipping industry has passed, and the ports operation in China has resumed normal. With the gradual recovery of the global economic, the seaborne trade is expected to see an initial rebound to a certain extent at the end of this year even in the worst scenario.

Management Discussion and Analysis

Based on the above analysis and judgment, the Group will, while keeping up the efforts in pandemic prevention and facilitating the resumption of work and production in the second half of the year, firmly adhere to the strategic principle of “leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes”, and promote sustainable and high-quality development with a focus on maintaining growth, improving quality and efficiency, enhancing capability, promoting reforms, strengthening innovation, controlling risks and attracting talents, striving to achieve the vision of “to be a world’s leading comprehensive port service provider”.

Regarding the development of homebase port, adhering to the strategy of “Building the Guangdong-Hong Kong-Macao Greater Bay Area”, the West Shenzhen Port Zone will constantly enhance its comprehensive core competitiveness through determined self-improvement. It will continue to strengthen the infrastructure construction, including enhancing the navigation capacities of channels outside ports, and endeavouring to complete the Mawan Smart Port as planned. In addition, it will actively expand new businesses by identifying changes and make responsive measures, and steadily build the teams of talents. Overseas homebase ports will coordinate and consider the layout of regional development, and devote greater efforts to facilitate the establishment of a platform for regional business development. They will motivate local employees to generate power for corporate development. Ancillary value-added services will be expanded to build a port ecosystem.

In terms of the overseas business, the Group will continue to advance the development of overseas leading ports. Based on the overseas layout of “East-West routes, South-North routes, the Belt and Road”, the Group will work diligently on the overall planning of overseas development. It will facilitate the acquisition of the remaining two terminals with CMA CGM SA, striving to complete such as soon as possible. Besides, the Group will step up its efforts in business expansion by leveraging on the regional advantage of all overseas ports, and complete the establishment of a management and control system for overseas operations by optimising the management mechanism of overseas projects. Currently facing complicated the international relations, the Group will focus on key overseas areas, continuously pay attention to regional situation and seek new investment opportunities.

With respect to comprehensive development, the Group will actively seize the opportunities arising from the adjustment on the global industry chain, and make use of local preferential policies to vigorously expand the market. On one hand, it will strengthen its capability to improve the logistics service for existing customers and create value for customers along the logistics chain; while on the other hand, it will attract business and investment by online and offline means, using enhanced influence and attractiveness to solicit new customers.

With regard to innovative development, the Group will uphold the innovation-driven approach to enhance comprehensive competitiveness. The Group will focus on the innovation of technologies, management and business models to promote the transformation and upgrade of the industry. Through the established “Research Institute of CMPort for Technological Innovation and Development”, the Group will build the bridge between industry, education and research, continue to build CMPort’s port ecosystem for technological innovation, and output the technological and innovative solution of port operation. Leveraging on the industry fund for investment in the innovative development of ports, the Group will explore future growth of revenue by selecting, investing and incubating innovative projects. Besides, leveraging on the self-owned technological platform focusing on “CMCore”, the Group will mainly develop three leading operation systems in the industry, including CTOS (Container Terminal Operation System), BTOS (Bulk Cargo Terminal Operation System) and LPOS (Logistic Park Operation System). Based on the “CM ePort” platform, the Group will innovate the service models by improving the informationisation service system of the port zones and using the “Port + Internet” approach to develop competitive customer services of ports. Focusing on the construction of Mawan Smart Port which incorporates intelligent elements, the Group will develop overall solutions for smart ports featuring CMPort’s characteristics.

In respect of capital operation, the Group will review its existing assets, develop capital operation plans and improve the Group’s value by further optimising its asset allocation. The Group will continue to centre on the strategic deployments and clarify the principles and directions of future capital operation. It will also proceed with specific suggestions for asset portfolio optimisation, in order to enhance the return on shareholders’ equity.

Regarding operation management, the Group will continue working on the optimisation of management and control, for which to lay a foundation for making it regular. Besides, the Group will continue to establish an operational management and control system for sustainable value creation, and constantly optimise all business management standards and their scope of application. Moreover, the Group will strengthen supervision to ensure the smooth progress of all major construction projects. The Group will continue to establish a multi-channel exchange platform for all segments, with a view to enhancing the professional service of the Group.

With regard to marketing and commerce, the Group will pay close attention to the development trend of the port and shipping industry around the world, and initiate communications in multiple modes with all parties, and care for customer needs with innovative means, in order to constantly enhancing service quality, as well as relationships, interaction and collaboration with customers. Besides, the Group will strengthen its communication with major cargo owners, and constantly optimise business resources by refined cargo types and regions centring on “North-South routes”. Against the backdrop of the persistent global pandemic, the Group will pay close attention on the market trend and grasp timely information on the global market, so as to make prejudgment with continuous monitoring.

In 2020, the development of the global economy and trade has been challenged by the COVID-19 pandemic, political disputes and global economic regression, etc. However, the development of emerging markets and the improved situation of the pandemic in major regions has brought opportunities for recovery of ports operation. The new digitalisation technology will also open up new roads leading to a world-class port. The Group will proactively capture opportunities and tap potentials in reform and innovation. With the growing core competitiveness and profitability, the Group will as always endeavour to maximise shareholder value. At the same time of striving to deliver better returns for its shareholders, the Group will also create values for the Group’s various stakeholders.

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors’ continuous support of the Group, the Board resolved to declare an interim dividend of 18 HK cents per share, totalling HK\$649 million for the six months ended 30 June 2020 (representing a dividend payout of 42%) 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 (2019: 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 2020 to shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on 30 September 2020 (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 7 October 2020. 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 warrants and certificates for the new shares will be despatched to shareholders on or around 16 November 2020.

CLOSURE OF REGISTER

The Register of Members will be closed from 25 September 2020 to 30 September 2020 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers and the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 24 September 2020.

Management Discussion and Analysis

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Shares in the Company

Name of Director	Capacity	Nature of interest	Number of shares in the Company	Percentage of aggregate long position in shares held to the issued shares of the Company as at 30 June 2020
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	224,912	0.0065%
			224,912	0.0065%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 30 June 2020, none of the directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or the Model Code, to be notified to the Company and the Stock Exchange.

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

SHARE OPTION SCHEME

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

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

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and ending on 8 December 2021. No share options were outstanding, granted, exercised, lapsed or cancelled under the Share Option Scheme during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following persons, other than a Director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO or as notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long Positions

Name of substantial shareholder	Capacity	Shares/underlying Shares held	%
China Merchants Group Limited	Interest of Controlled Corporation	2,175,919,784 ^(1,2,3,4)	63.09%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,164,807,784 ⁽²⁾	62.77%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,164,807,784 ⁽²⁾	62.77%
Broadford Global Limited	Interest of Controlled Corporation	1,411,014,033 ⁽²⁾	40.91%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,411,014,033 ⁽²⁾	40.91%
China Merchants Investment Development Company Limited	Interest of Controlled Corporation	1,411,014,033 ⁽²⁾	40.91%
China Merchants Port Group Co., Ltd.	Beneficial Owner	1,411,014,033 ⁽²⁾	40.91%
China Merchants Union (BVI) Limited	Beneficial Owner	753,793,751 ⁽²⁾	21.86%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000 ⁽³⁾	0.09%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000 ⁽³⁾	0.09%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000 ⁽³⁾	0.09%
Sinotrans & CSC Holdings Co., Ltd.	Interest of Controlled Corporation	8,112,000 ⁽⁴⁾	0.24%
Sinomarine Limited	Interest of Controlled Corporation	8,112,000 ⁽⁴⁾	0.24%
Sinotrans Shipping (Holdings) Limited	Interest of Controlled Corporation	8,112,000 ⁽⁴⁾	0.24%
Sinotrans Shipping Ltd.	Beneficial Owner	8,112,000 ⁽⁴⁾	0.24%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	753,793,751 ⁽⁵⁾	21.86%
Compass Investment Company Limited	Interest of Controlled Corporation	753,793,751 ⁽⁵⁾	21.86%
CNIC Corporation Limited	Interest of Controlled Corporation	753,793,751 ⁽⁵⁾	21.86%
Verise Holdings Company Limited	Interest of Controlled Corporation	753,793,751 ⁽⁵⁾	21.86%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("CMSN"), China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("CMSIZ") and Sinotrans & CSC Holdings Co., Ltd. ("Sinotrans CSC") is a subsidiary of China Merchants Group Limited ("CMG"). CMG is deemed to be interested in 2,175,919,784 shares, which represents the aggregate of 2,164,807,784 shares deemed to be interested by CMSN (see Note 2 below), 3,000,000 shares deemed to be interested by CMSIZ (see Note 3 below) and 8,112,000 shares deemed to be interested by Sinotrans CSC (see Note 4 below).

2. China Merchants Holdings (Hong Kong) Company Limited ("CMHK") is wholly-owned by CMSN, and Broadford Global Limited ("Broadford") is in turn wholly-owned by CMHK. Rainbow Reflection Limited ("Rainbow") is 74.66%-owned by Broadford and 25.34%-owned by China Merchants Union (BVI) Limited ("CMU"). China Merchants Investment Development Company Limited ("CMID") is in turn wholly-owned by Rainbow. China Merchants Port Group Co., Ltd. ("CMPG"), which is 59.75%-owned by CMID and CMU is 50%-owned by CMHK.

CMSN is deemed to be interested in 2,164,807,784 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 753,793,751 shares beneficially held by CMU and 1,411,014,033 shares beneficially held by CMPG.

Management Discussion and Analysis

3. Top Chief Company Limited (“**Top Chief**”) is wholly-owned by CMSIZ and Orienture Holdings Company Limited (“**Orienture**”) is in turn wholly-owned by Top Chief. CMSIZ is deemed to be interested in the 3,000,000 shares which are deemed to be interested by Top Chief. Such shares represent the 3,000,000 shares beneficially held by Orienture.
4. Sinotrans Shipping Ltd. (“**SSL**”) is 96.43%-owned by Sinotrans Shipping (Holdings) Limited (“**SSHL**”), which is wholly-owned by Sinomarine Limited (“**Sinomarine**”), which is in turn wholly-owned by Sinotrans CSC. Therefore, each of SSHL, Sinomarine and Sinotrans CSC is deemed to be interested in 8,112,000 shares beneficially held by SSL.
5. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited (“**Pagoda Tree**”) on 24 May 2018, 50% interest in CMU is owned by Verise Holdings Company Limited (“**Verise Holdings**”), which is wholly-owned by CNIC Corporation Limited (“**CNIC Corporation**”), which is in turn 90%-owned by Compass Investment Company Limited (“**Compass Investment**”), which is in turn wholly-owned by Pagoda Tree. Therefore, each of Verise Holdings, CNIC Corporation, Compass Investment and Pagoda Tree is deemed to be interested in the 753,793,751 shares beneficially held by CMU.

Short Position

Nil

Save as disclosed above, there was no person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO or as notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (“**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the six months ended 30 June 2020.

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 15 June 2020 to answer shareholders’ questions.

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises all of the four independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and risk management and financial report matters including the review of the unaudited interim results for the six months ended 30 June 2020.

UPDATE ON DIRECTOR’S BIOGRAPHICAL DETAILS

There is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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

By Order of the Board

Deng Renjie

Chairman

Hong Kong, 28 August 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Note	Unaudited	
		2020 HK\$'million	2019 HK\$'million
Revenue	6	4,077	4,464
Cost of sales		(2,403)	(2,507)
Gross profit		1,674	1,957
Other income and other gains, net	8	600	6,373
Administrative expenses		(630)	(635)
Finance income	9	118	128
Finance costs	9	(930)	(1,017)
Finance costs, net	9	(812)	(889)
Share of profits less losses of			
Associates		1,417	1,824
Joint ventures		182	269
		1,599	2,093
Profit before taxation		2,431	8,899
Taxation	10	(430)	(2,109)
Profit for the period	11	2,001	6,790
Attributable to:			
Equity holders of the Company		1,546	6,529
Non-controlling interests		455	261
Profit for the period		2,001	6,790
Dividends	12	649	752
Earnings per share for profit attributable to equity holders of the Company	13		
Basic (HK cents)		44.83	196.07

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Unaudited	
	2020 HK\$'million	2019 HK\$'million
Profit for the period	2,001	6,790
Other comprehensive (expense)/income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(2,673)	(1,562)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Share of other reserves of associates	(4)	44
Total other comprehensive expense for the period, net of tax	(2,677)	(1,518)
Total comprehensive (expense)/income for the period	(676)	5,272
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	(657)	5,162
Non-controlling interests	(19)	110
	(676)	5,272

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 HK\$'million	Audited 31 December 2019 HK\$'million
ASSETS			
Non-current assets			
Goodwill	14	6,007	6,931
Intangible assets	14	9,049	10,244
Property, plant and equipment	14	23,029	23,870
Right-of-use assets	14	15,061	15,435
Investment properties	14	8,257	8,246
Interests in associates	15	60,374	58,052
Interests in joint ventures		9,632	9,648
Other financial assets		6,657	2,668
Other non-current assets		1,233	1,218
Deferred tax assets		274	260
		139,573	136,572
Current assets			
Inventories		141	125
Other financial assets		80	905
Debtors, deposits and prepayments	16	5,341	3,435
Taxation recoverable		44	35
Cash and bank balances		6,626	7,800
		12,232	12,300
Non-current assets held for sale		—	210
		12,232	12,510
Total assets		151,805	149,082

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 HK\$'million	Audited 31 December 2019 HK\$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	40,614	40,614
Reserves		35,210	37,169
Proposed dividend		649	2,000
		76,473	79,783
Non-controlling interests		14,856	14,351
Total equity		91,329	94,134
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	18	28,205	29,419
Lease liabilities		916	918
Other non-current liabilities		4,688	5,421
Deferred tax liabilities		3,569	3,668
		37,378	39,426
Current liabilities			
Creditors and accruals	19	3,841	4,707
Dividend payable to ordinary shareholders of the Company		2,000	—
Bank and other borrowings	18	15,350	8,995
Lease liabilities		56	84
Taxation payable		1,851	1,736
		23,098	15,522
Total liabilities		60,476	54,948
Total equity and liabilities		151,805	149,082
Net current liabilities		(10,866)	(3,012)
Total assets less current liabilities		128,707	133,560

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Total		
HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
As at 1 January 2019	39,070	2,968	33,174	75,212	12,664	87,876
COMPREHENSIVE INCOME						
Profit for the period	—	—	6,529	6,529	261	6,790
Other comprehensive (expense)/income						
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	(1,411)	—	(1,411)	(151)	(1,562)
Share of other reserves of associates	—	44	—	44	—	44
Total other comprehensive expense for the period, net of tax	—	(1,367)	—	(1,367)	(151)	(1,518)
Total comprehensive (expense)/income for the period	—	(1,367)	6,529	5,162	110	5,272
TRANSACTIONS WITH OWNERS						
Capital contribution to a subsidiary	—	—	—	—	32	32
Transfer to reserves	—	9	(9)	—	—	—
Share of other changes in equity attributable to equity holders of associates and a joint venture	—	234	—	234	—	234
Dividends	—	—	(2,431)	(2,431)	(67)	(2,498)
Total transactions with owners for the period	—	243	(2,440)	(2,197)	(35)	(2,232)
As at 30 June 2019	39,070	1,844	37,263	78,177	12,739	90,916

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Unaudited	
		2020 HK\$'million	2019 HK\$'million
Net cash generated from operating activities		1,823	2,356
Cash flows from investing activities			
Repayment from a related party		37	1,177
Proceeds from withdrawal of other deposits and restricted bank balance		937	905
Investments in associates and joint ventures		(4)	(781)
Placing of other deposits and restricted bank balance		(1,881)	(572)
Purchase of property, plant and equipment and port operating rights		(682)	(1,298)
Capital contribution to an associate	15	(3,055)	—
Loan to an associate	15	(3,264)	—
Compensation for resumption of land parcels at Shantou received		110	—
Other investing cash flows		148	65
Net cash used in investing activities		(7,654)	(504)
Cash flows from financing activities			
Proceeds from bank loans		10,210	4,564
Repayment of bank loans		(4,150)	(4,567)
Interests paid		(890)	(980)
Repayment of notes payable		—	(578)
Repayment of loan from an associate		—	(276)
Acquisition of additional interests in subsidiaries	19(b)	(835)	—
Other financing cash flows		(474)	(68)
Net cash generated from/(used in) financing activities		3,861	(1,905)
Decrease in cash and cash equivalents		(1,970)	(53)
Cash and cash equivalents at 1 January		6,939	5,238
Effect of foreign exchange rate changes		(131)	(26)
Cash and cash equivalents at 30 June, represented by cash and bank balances		4,838	5,159

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 28 August 2020 but has not been audited.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on HKSE and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In preparing the condensed consolidated financial information of the Group, the directors of the Company has given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$10,866 million as at 30 June 2020. In the opinion of the directors of the Company, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration the working capital estimated to be generated from operating activities and the undrawn facilities of bank loans and other debt financing instruments. Based on this, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare this condensed consolidated interim financial information on a going concern basis.

The financial information relating to the financial year ended 31 December 2019 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:

2. BASIS OF PREPARATION (CONTINUED)

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2019 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.

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 has caused a negative impact to the global economy and trade, and global demand for maritime container shipping significantly declined during the first half of 2020. It directly and indirectly affect the operations of the Group. As such, the financial positions and performance of the Group were affected.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared on the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss ("FVTPL"), equity instruments at fair value through other comprehensive income ("FVTOCI") and financial liabilities at FVTPL, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described therein.

During the period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of these amendments to HKFRSs above has had no material effect on the amounts reported in or disclosures set out in this condensed consolidated interim financial information.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the annual consolidated financial statements for the year ended 31 December 2019.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and hence should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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

(ii) Fair value estimation

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2020 and 31 December 2019:

	Level 1 HK\$'million	Level 2 HK\$'million	Level 3 HK\$'million	Total HK\$'million
As at 30 June 2020				
Financial assets				
Financial assets at FVTPL	2,467	—	3	2,470
Equity instruments at FVTOCI	—	—	9	9
	2,467	—	12	2,479
Financial liabilities				
Financial liabilities at FVTPL	—	—	(2,984)	(2,984)
As at 31 December 2019				
Financial assets				
Financial assets at FVTPL	1,957	688	3	2,648
Equity instruments at FVTOCI	—	—	9	9
	1,957	688	12	2,657
Financial liabilities				
Financial liabilities at FVTPL	—	—	(4,532)	(4,532)

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

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

The equity instruments of a listed entity as at 31 December 2019, which the shares held by the Group were previously restricted for sale, were transferred from level 2 to level 1 as the equity instruments are available to trade and be valued based on the quoted prices in active markets for the identical assets directly during the period.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

The fair value of other unlisted equity instruments that are accounted for as financial assets at FVTPL or equity instruments at FVTOCI is valued based on Guideline Publicly Traded Company method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. As at 30 June 2020, if any of the significant unobservable inputs above was 5% (31 December 2019: 5%) higher/lower while all the other variables were held constant, the changes in fair value of these unlisted equity instruments would be insignificant.

The fair value of the liabilities arising from the concession arrangements that are accounted for as financial liabilities at FVTPL is valued at the present value of the expected future economic benefits that will flow out of the Group arising from such obligation by using discounted cash flow method. The significant unobservable inputs are the factor of inflation and probability-adjusted business volume. As at 30 June 2020, if factor of inflation was 5% (31 December 2019: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the liabilities arising from the concession arrangements would be HK\$76 million (31 December 2019: HK\$95 million). As at 30 June 2020, if the probability-adjusted business volume was 5% (31 December 2019: 5%) higher/lower while all the other variables were held constant, the increase/decrease in fair value of the liabilities arising from the concession arrangements would be HK\$115 million (31 December 2019: HK\$143 million).

As at 31 December 2019, the fair value of the Put Option Liability (as defined in note 19(b)) that was accounted for as a financial liability at FVTPL was valued using Black-Scholes option model and the significant unobservable inputs used in the fair value measurement were the exercise price, the risk-free rate, the expected dividend yield, the expected volatility and the time-to-maturity. As at 31 December 2019, if the exercise price was 5% higher/lower while all the other variables was held constant, the increase/decrease in fair value of the put option would be insignificant. As at 31 December 2019, if any of the significant unobservable inputs, other than the exercise price, was 5% higher/lower while all the other variables were held constant, the change in fair value of the put option would be insignificant. No fair value of Put Option Liability as at 30 June 2020 was measured as the Put Option Liability was exercised by the non-controlling equity holders of TCP Participações S.A. ("TCP") during the current period. Further details are set out in note 19(b).

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2020 and 2019:

	Financial assets at FVTPL HK\$'million	Equity instruments at FVTOCI HK\$'million	Financial liabilities at FVTPL HK\$'million
For the six months ended 30 June 2020			
As at 1 January 2020	3	9	(4,532)
Exchange adjustments	—	—	843
Settlement	—	—	879
Unrealised fair value loss recognised in profit or loss	—	—	(174)
As at 30 June 2020	3	9	(2,984)
For the six months ended 30 June 2019			
As at 1 January 2019	612	110	(4,383)
Transfer to interests in associates	—	(102)	—
Additions	50	—	—
Exchange adjustments	(10)	—	(42)
Settlement	—	—	50
Unrealised fair value gain/(loss) recognised in profit or loss	494	—	(223)
As at 30 June 2019	1,146	8	(4,598)

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For the six months ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Fair value estimation (continued)

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for listed and unlisted notes stated in note 18, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values at the end of the reporting period.

6. REVENUE

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

	Six months ended 30 June	
	2020	2019
	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	3,786	4,145
Warehousing services income, representing temporary storage of cargos and containers, custom clearance services and the auxiliary services	212	230
Revenue from contracts with customers	3,998	4,375
Gross rental income that are fixed from investment properties	79	89
	4,077	4,464

7. SEGMENT INFORMATION

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

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

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

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

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

- (a) Mainland China, Hong Kong and Taiwan
 - Pearl River Delta
 - Yangtze River Delta
 - Bohai Rim
 - Others
 - (b) Other locations outside of Mainland China, Hong Kong and Taiwan
- (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 construction of modular housing operated by the Group’s associate, property investment operated by the Group and corporate function.

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For the six months ended 30 June 2020

7. SEGMENT INFORMATION (CONTINUED)

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.

During the six months ended 30 June 2020, one (2019: one) customer has accounted for over 10% of the Group's total revenue amounting to HK\$640 million (2019: HK\$631 million).

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
	2020	2019	2020	2019
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Mainland China, Hong Kong and Taiwan	2,192	2,649	86,564	87,513
Other locations	1,885	1,815	46,078	46,131
	4,077	4,464	132,642	133,644

7. SEGMENT INFORMATION (CONTINUED)

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

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

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For the six months ended 30 June 2020

7. SEGMENT INFORMATION (CONTINUED)

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

	For the six months ended 30 June 2019										
	Ports operation				Other locations		Bonded logistics operation	Other operations		Total	
	Mainland China, Hong Kong and Taiwan				Sub-total		Sub-total	Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others	Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue	1,898	—	33	399	1,815	4,145	230	89	—	89	4,464
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	5,542	522	589	484	461	7,598	96	141	(140)	1	7,695
Share of profits less losses of											
- Associates	62	1,351	69	9	209	1,700	6	118	—	118	1,824
- Joint ventures	—	72	117	5	75	269	1	(1)	—	(1)	269
	5,604	1,945	775	498	745	9,567	103	258	(140)	118	9,788
Finance costs, net	3	—	—	2	(206)	(201)	(16)	(20)	(652)	(672)	(889)
Taxation	(1,734)	(117)	(134)	(38)	(34)	(2,057)	(20)	(32)	—	(32)	(2,109)
Profit/(loss) for the period	3,873	1,828	641	462	505	7,309	67	206	(792)	(586)	6,790
Non-controlling interests	(99)	—	—	(16)	(127)	(242)	(19)	—	—	—	(261)
Profit/(loss) attributable to equity holders of the Company	3,774	1,828	641	446	378	7,067	48	206	(792)	(586)	6,529
Other information:											
Depreciation and amortisation	325	—	1	149	451	926	47	1	11	12	985
Capital expenditure	177	—	—	293	488	958	270	7	1	8	1,236

7. SEGMENT INFORMATION (CONTINUED)

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

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

	As at 30 June 2020										
	Ports operation					Other locations	Sub-total	Bonded logistics operation	Other operations		Total
	Mainland China, Hong Kong and Taiwan				Other investments				Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	16,895	2,607	1,104	11,675	36,945	69,226	2,783	8,249	1,223	9,472	81,481
Interests in associates	2,342	26,852	3,940	2,826	9,980	45,940	852	13,582	—	13,582	60,374
Interests in joint ventures	4	1,001	2,842	345	5,418	9,610	5	17	—	17	9,632
Total segment assets	19,241	30,460	7,886	14,846	52,343	124,776	3,640	21,848	1,223	23,071	151,487
Taxation recoverable											44
Deferred tax assets											274
Total assets											151,805
LIABILITIES											
Segment liabilities	(2,425)	—	(40)	(2,308)	(9,920)	(14,693)	(995)	(937)	(38,431)	(39,368)	(55,056)
Taxation payable											(1,851)
Deferred tax liabilities											(3,569)
Total liabilities											(60,476)

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7. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December 2019										
	Ports operation					Sub-total	Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
ASSETS											
Segment assets											
(excluding interests in associates and joint ventures)	16,916	1,845	1,185	10,964	36,170	67,080	2,870	8,250	2,677	10,927	80,877
Interests in associates	2,446	27,141	3,970	2,848	6,951	43,356	852	13,844	—	13,844	58,052
Interests in joint ventures	4	953	2,816	341	5,511	9,625	6	17	—	17	9,648
Non-current assets held for sale	—	—	—	210	—	210	—	—	—	—	210
Total segment assets	19,366	29,939	7,971	14,363	48,632	120,271	3,728	22,111	2,677	24,788	148,787
Taxation recoverable											35
Deferred tax assets											260
Total assets											149,082
LIABILITIES											
Segment liabilities	(2,410)	—	(38)	(2,264)	(12,392)	(17,104)	(843)	(972)	(30,625)	(31,597)	(49,544)
Taxation payable											(1,736)
Deferred tax liabilities											(3,668)
Total liabilities											(54,948)

8. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2020 HK\$'million	2019 HK\$'million
Dividend income from equity investments	78	123
Increase in fair value of investment properties	144	91
Gain on resumption of land parcels at Shantou (Note (a))	615	—
Gain on resumption of land parcels at Qianhai (Note (b))	—	4,820
Gain on disposal of property, plant and equipment	3	1
Net exchange gains	34	22
Gain on deemed disposal of interest in a joint venture	—	480
(Decrease)/increase in fair value of financial assets at FVTPL	(167)	992
Increase in fair value of financial liabilities at FVTPL	(174)	(223)
Others	67	67
	600	6,373

Notes:

- (a) During the current period, certain property, plant and equipment and land parcels located at Shantou, Guangdong Province, the People's Republic of China (the "PRC") recognised as non-current assets held for sale as at 31 December 2019 were resumed by Shantou Land Reserve Center ("SLRC"), an authority established by the government of the PRC. The compensation for the resumption of the related assets at Shantou held by the Group is RMB787 million (equivalent to approximately HK\$864 million), resulting in a gain on the resumption of HK\$615 million.
- (b) During the prior period, certain land parcels held by the Group and certain members (as set out in note 21) of the China Merchants Group Limited ("CMG") and its subsidiaries at Qianhai, Shenzhen, the PRC were resumed by Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission ("QHSH"), an authority established by the government of the PRC. The government compensation for the resumption of the land parcels (excluding a piece of land for Dachan Bay Port Phase II, Shenzhen, the PRC, to be received by the Group as part of the compensation) at Qianhai held by the Group was RMB5,693 million (equivalent to approximately HK\$6,457 million), resulting in a gain on the resumption of HK\$4,820 million. Further details are set out in note 21(a)(x).

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For the six months ended 30 June 2020

9. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'million	HK\$'million
Finance income from:		
Interest income from bank and other deposits	32	70
Interest income from loan to associates	53	1
Interest income from loan to a joint venture	33	36
Interest income from amount due from a related party	—	21
	118	128
Interest expense on:		
Bank loans	(257)	(303)
Listed notes payable	(536)	(563)
Unlisted notes payable	(67)	(73)
Loans from:		
– a non-controlling equity holder of a subsidiary	(10)	(14)
– fellow subsidiaries	(17)	(15)
– immediate holding company	(9)	—
– an associate	—	(8)
Lease liabilities	(26)	(27)
Others	(25)	(32)
Total borrowing costs incurred	(947)	(1,035)
Less: amount capitalised on qualifying assets (Note)	17	18
Finance costs	(930)	(1,017)
Finance costs, net	(812)	(889)

Note: Apart from the interest expense incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the condensed consolidated statement of financial position. Capitalisation rate of 4.51% per annum (2019: 6.03% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

10. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the period.

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

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

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

	Six months ended 30 June	
	2020	2019
	HK\$'million	HK\$'million
Current taxation		
Hong Kong Profits Tax	2	3
PRC corporate income tax (Note (a))	299	1,419
Overseas profits tax	(5)	9
Withholding income tax	83	98
Deferred taxation		
Origination and reversal of temporary differences (Note (b))	51	580
	430	2,109

Notes:

- (a) Included in the amount for the six months ended 30 June 2019 was PRC corporate income tax of HK\$1,212 million levied on the Group for the gain on resumption of land parcels at Qianhai. Further details are set out in note 8(b).
- (b) Included in the amount for the six months ended 30 June 2019 was the net deferred tax arising from the gain on resumption of land parcels at Qianhai amounting to HK\$327 million.

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For the six months ended 30 June 2020

11. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'million	HK\$'million
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	811	841
Depreciation of property, plant and equipment	658	602
Depreciation of right-of-use assets	213	245
Amortisation of intangible assets	127	138

12. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'million	HK\$'million
Interim dividend of 18 HK cents (2019: 22 HK cents) per ordinary share	649	752

At a meeting held on 28 August 2020, the Board of Directors proposed an interim dividend of 18 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 2020.

The amount of interim dividend for 2020 was based on 3,607,640,423 (2019: 3,418,412,538) shares in issue as at 28 August 2020.

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
Basic		
Profit attributable to equity holders of the Company (HK\$ million)	1,546	6,529
Weighted average number of ordinary shares in issue	3,448,947,770	3,329,849,550

No diluted earnings per share for both six months ended 30 June 2020 and 2019 were presented as there were no potential dilutive ordinary shares in issue for both periods.

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

	Goodwill HK\$'million	Intangible assets HK\$'million	Property, plant and equipment HK\$'million	Right-of- use assets HK\$'million	Investment properties HK\$'million
Six months ended 30 June 2020					
Net book value as at 1 January 2020	6,931	10,244	23,870	15,435	8,246
Exchange adjustments	(924)	(1,073)	(858)	(150)	(133)
Additions	—	5	692	—	—
Increase in fair value	—	—	—	—	144
Transfer	—	—	10	(10)	—
Disposal	—	—	(27)	(1)	—
Depreciation and amortisation	—	(127)	(658)	(213)	—
Net book value as at 30 June 2020	6,007	9,049	23,029	15,061	8,257
Six months ended 30 June 2019					
Net book value as at 1 January 2019	7,922	11,132	22,916	18,135	8,332
Exchange adjustments	(722)	(271)	(76)	(28)	(35)
Additions	—	4	1,026	219	—
Increase in fair value	—	—	—	—	91
Transfer from/(to) other non-current assets	—	—	59	(1,060)	—
Disposal	—	—	(52)	(897)	—
Depreciation and amortisation	—	(138)	(602)	(245)	—
Net book value as at 30 June 2019	7,200	10,727	23,271	16,124	8,388

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15. INTERESTS IN ASSOCIATES

On 25 November 2019, the Company entered into a memorandum of agreement with a third party who indirectly holds 51% of Terminal Link SAS, pursuant to which the Company proposed to subscribe for the mandatory convertible bonds ("Mandatory Convertible Bonds") issued by, and to grant loan with a 8-year repayment term and 6% interest rate per annum to, Terminal Link SAS for a total amount of US\$468 million and US\$500 million, respectively (equivalent to approximately HK\$3,644 million and HK\$3,894 million, respectively) to finance the proposed acquisition by Terminal Link SAS of interests in a portfolio of ten terminals owned by the third party and its affiliates ("Proposed Acquisition").

During the period ended 30 June 2020, the initial closing of the Proposed Acquisition with respect to eight of these target terminals was completed. The Group completed the subscription of the corresponding amount of the Mandatory Convertible Bonds and granted the corresponding amount of the loan amounting to US\$394 million and US\$421 million, respectively (equivalent to approximately HK\$3,055 million and HK\$3,264 million, respectively). Mandatory Convertible Bonds amounted to HK\$3,055 million was accounted for as interests in associates and loan to an associate amounted to HK\$3,264 million was included in other financial assets.

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
Trade debtors from contracts with customers, net (Note (a))	1,086	918
Amounts due from fellow subsidiaries (Note (b))	13	10
Amounts due from associates (Note (c))	135	134
Amounts due from joint ventures (Note (b))	2	2
Dividend receivables	1,524	498
	2,760	1,562
Other debtors, deposits and prepayments (Note (d))	2,581	1,873
	5,341	3,435

16. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

- (a) Bill receivables of HK\$15 million (31 December 2019: HK\$15 million) are included in trade debtors as at 30 June 2020.

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2019: 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 2020 HK\$'million	31 December 2019 HK\$'million
0 - 90 days	999	852
91 - 180 days	39	42
181 - 365 days	37	14
Over 365 days	11	10
	1,086	918

- (b) The amounts are unsecured, interest-free and expected to be repayable within twelve months from the end of the reporting period.
- (c) The balances are unsecured, interest-free and repayable on demand.
- (d) Included in the amount as at 30 June 2020 is the compensation receivable from SLRC for the resumption of land parcels at Shantou, Guangdong Province, the PRC, amounting to HK\$1,327 million (31 December 2019: HK\$582 million). Further details of the transaction is set out in note 8.

17. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020 HK\$'million	2019 HK\$'million
Issued and fully paid:				
As at 1 January and 30 June	3,448,947,770	3,329,849,550	40,614	39,070

During the period from 1 July 2020 to the date of approval of this condensed consolidated interim financial information, 158,692,653 ordinary shares (2019: 88,562,988 ordinary shares) were issued to satisfy the payment of the 2019 final dividend of HK\$1,461 million (2019: HK\$1,170 million).

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18. BANK AND OTHER BORROWINGS

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	5,972	3,330
– fixed rate	5,238	916
Unsecured long-term fixed rate bank loans	27	79
Long-term variable rate bank loans		
– unsecured	3,548	4,408
– secured (Note (a))	3,099	3,358
	17,884	12,091
Loan from a non-controlling equity holder of a subsidiary (Note (b))	467	454
Loans from fellow subsidiaries (Notes (a) and (c))	511	1,027
Loan from immediate holding company (Note (d))	521	366
Notes payable (Note (e))		
– US\$200 million, 3.5% guaranteed listed notes maturing in 2020	1,550	1,557
– US\$500 million, 5% guaranteed listed notes maturing in 2022	3,860	3,875
– US\$900 million, 4.375% guaranteed listed notes maturing in 2023	6,936	6,964
– US\$500 million, 4.75% guaranteed listed notes maturing in 2025	3,861	3,877
– US\$600 million, 5% guaranteed listed notes maturing in 2028	4,596	4,616
– Brazilian Real 428 million, Brazil's National Consumer Price Index ("IPCA") +7.82% listed notes maturing in 2021 and 2022	623	796
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	2,746	2,791
	24,172	24,476
Total	43,555	38,414
Less: amounts due within one year included under current liabilities	(15,350)	(8,995)
Non-current portion	28,205	29,419

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) As at 30 June 2020 and 31 December 2019, the following assets are pledged against the Group's secured bank loans and a loan from a fellow subsidiary:

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
Property, plant and equipment	414	417
Right-of-use assets	348	356
	762	773

In addition to the above, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary as at 30 June 2020 and 31 December 2019, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

- (b) The amount is unsecured, interest-bearing at 4.65% (31 December 2019: 4.65%) per annum and is not required to be repaid within twelve months from the end of the reporting period.
- (c) Included in the amount as at 30 June 2020 and 31 December 2019 is loans from a fellow subsidiary which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission amounting to HK\$350 million (31 December 2019: HK\$860 million). These amounts are unsecured, interest-bearing at 1.20% to 4.80% (31 December 2019: 4.13% to 4.80%) per annum. Except for the amount of HK\$262 million (31 December 2019: HK\$357 million), the remaining balance is repayable within twelve months from the end of the reporting period.

The remaining balance as at 30 June 2020 and 31 December 2019 is a loan from a fellow subsidiary amounting to HK\$161 million (31 December 2019: HK\$167 million) which is secured by right-of-use assets and interest bearing at 4.75% (31 December 2019: 4.75%) per annum. Except for the amount of HK\$155 million (31 December 2019: HK\$161 million), the remaining balance is repayable within twelve months from the end of the reporting period.

- (d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum and repayable within twelve months from the end of the reporting period.
- (e) Listed notes issued by subsidiaries of the Company of HK\$20,803 million (31 December 2019: HK\$20,889 million) are secured by corporate guarantees provided by the Company.

The effective interest rates of the Group's notes payable are as follows:

	30 June 2020	31 December 2019
US\$200 million, 3.5% guaranteed listed notes maturing in 2020	3.64%	3.64%
US\$500 million, 5% guaranteed listed notes maturing in 2022	5.22%	5.22%
US\$900 million, 4.375% guaranteed listed notes maturing in 2023	4.57%	4.57%
US\$500 million, 4.75% guaranteed listed notes maturing in 2025	4.83%	4.83%
US\$600 million, 5% guaranteed listed notes maturing in 2028	5.18%	5.18%
Brazilian Real 428 million, IPCA +7.82% listed notes maturing in 2021 and 2022	14.66%	14.66%
RMB2,500 million, 4.89% unlisted notes maturing in 2022	4.94%	4.94%

- (f) As at 30 June 2020, the Group has undrawn bank loan facilities and other debt financing instruments amounting to HK\$22,586 million (31 December 2019: HK\$20,939 million), of which HK\$16,359 million (31 December 2019: HK\$17,434 million) and HK\$6,227 million (31 December 2019: HK\$3,505 million) are committed and uncommitted credit facilities, respectively.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(g) The bank and other borrowings as at 30 June 2020 and 31 December 2019 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from fellow subsidiaries		Loan from immediate holding company		Listed notes payable		Unlisted notes payable		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Within 1 year	13,185	6,563	—	—	94	509	521	366	1,550	1,557	—	—	15,350	8,995
Between 1 and 2 years	1,370	1,897	—	—	47	69	—	—	4,054	249	2,746	—	8,217	2,215
Between 2 and 5 years	2,433	2,737	—	—	219	287	—	—	7,365	11,386	—	2,791	10,017	17,201
Within 5 years	16,988	11,197	—	—	360	865	521	366	12,969	13,192	2,746	2,791	33,584	28,411
More than 5 years	896	894	467	454	151	162	—	—	8,457	8,493	—	—	9,971	10,003
	17,884	12,091	467	454	511	1,027	521	366	21,426	21,685	2,746	2,791	43,555	38,414

(h) The effective interest rates of bank loans at the end of the reporting period are as follows:

	30 June 2020	31 December 2019
Hong Kong dollar	1.09% to 1.48%	3.08% to 3.37%
Renminbi	1.20% to 4.98%	1.20% to 4.90%
Euro	3.72% to 5.78%	3.72% to 5.78%
United States dollar	0.98% to 2.60%	2.64% to 4.80%
Brazilian Real	2.99% to 3.84%	5.15% to 5.89%

19. CREDITORS AND ACCRUALS

	30 June 2020	31 December 2019
	HK\$'million	HK\$'million
Trade creditors (Note (a))	276	338
Put Option Liability (Note (b))	—	818
Amounts due to fellow subsidiaries (Note (c))	266	253
Amounts due to associates (Note (c))	240	101
Other payables and accruals	3,059	3,197
	3,841	4,707

19. CREDITORS AND ACCRUALS (CONTINUED)

Notes:

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

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
0 - 90 days	231	280
91 - 180 days	4	14
181 - 365 days	10	6
Over 365 days	31	38
	276	338

- (b) Amount as at 31 December 2019 represented gross obligation arising from a put option issued to non-controlling equity holders of TCP (together with its subsidiaries, the "TCP Group") (the "Sellers") during the year ended 31 December 2018 ("Put Option Liability"), pursuant to which the Sellers have the right to sell to, and require the Group to acquire all of the Sellers' remaining equity interest of the TCP Group in total of 845,703 shares. During the period, the Sellers exercised the put option at a cash consideration amounting US\$107 million (equivalent to approximately HK\$835 million).

- (c) The balances are unsecured, interest-free and repayable on demand.

20. COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
Group:		
Property, plant and equipment and intangible assets	2,788	3,312
Joint ventures:		
Property, plant and equipment	139	54
	2,927	3,366

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For the six months ended 30 June 2020

20. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

	30 June 2020 HK\$'million	31 December 2019 HK\$'million
Group:		
Ports projects	1,194	7,545

(c) Contingent liabilities

- (i) As at 30 June 2020 and 31 December 2019, the TCP Group had significant contingent liabilities arising from pending legal proceedings in Brazil in respect of disputes with local tax authorities, employees or former employees of TCP Group and other parties, amounting to HK\$328 million (31 December 2019: HK\$306 million), which, based on the latest estimates of the management of the Group, is not probable that outflows of resources embodying economic benefits will be required to settle these obligations. Accordingly, no provision for litigation claims in respect of the above cases has been made in the condensed consolidated interim financial information. A counter indemnity in favour of the Group is executed by the Selling Shareholders pursuant to which the latter indemnify to the Group for the above contingent liabilities for and up to predetermined amounts and specified length of time.
- (ii) As at 30 June 2020 and 31 December 2019, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK\$89 million (31 December 2019: HK\$90 million) arising from the above loan facilities and other obligations.

In addition to above, the Group also provides guarantees for banking facilities granted to and other obligations borne by an associate of CMG. The total amounts guaranteed by the Group is HK\$223 million (31 December 2019: HK\$224 million) and the aggregate amount utilised by the relevant related party amounted to HK\$134 million (31 December 2019: HK\$132 million).

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

- (iii) As at 30 June 2020 and 31 December 2019, the Company was involved in a legal action involving dispute over the Group's overseas investment. Based on advice of legal counsel and information available to the Group, the directors of the Company are of the opinion that it is pre-mature to assess the possible outcome of the case and the Company is unable to ascertain the likelihood and estimate a reliable amount of the claim at the current stage.

21. RELATED PARTY TRANSACTIONS

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

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. Other than as disclosed elsewhere in these condensed consolidated financial information, a summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the period and balances arising from related transactions as at 30 June 2020 are as follows:

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

	Note	Six months ended 30 June	
		2020 HK\$'million	2019 HK\$'million
Rental income from	(i)		
– immediate holding company		—	3
– fellow subsidiaries		25	22
– joint ventures		5	—
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		1	2
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		22	2
Service income from	(ii)		
– an intermediate holding company		8	1
– fellow subsidiaries		47	36
– associates		10	12
– joint ventures		30	39
– related parties		—	3
Service fee paid to	(iii)		
– fellow subsidiaries		29	31
– an associate		7	—
– joint ventures		8	9
– a related party		1	—
Interest income from			
– a fellow subsidiary	(vi)	5	6
– associates	(iv)	53	1
– a joint venture	(iv)	33	36
– a related party	(v)	—	21
Interest expenses and upfront fees paid to	(vii)		
– immediate holding company		9	—
– fellow subsidiaries		17	15
– an associate		—	8

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

- (i) The Group rented certain vessels and properties from and leased office premises and residential units to the CMG Group and also leased warehouses to joint ventures. Lease payments were received or charged at a fixed amount per month in accordance with respective tenancy agreements.

As at 30 June 2020, the Group has no additional right-of-use assets (31 December 2019: HK\$17 million) and lease liabilities in relation to these leases (31 December 2019: HK\$17 million).

- (ii) The ports, logistics and information technology service fees were charged with reference to market rates.
- (iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management services to the Group. The service fees were charged with reference to market rates.
- (iv) Interest income was charged at interest rates ranging from 4.75% to 6% (2019: 4.75%) per annum on the outstanding loan to associates and 8% (2019: 8%) per annum on the outstanding loan to a joint venture.
- (v) The related party is an associate of CMG. Interest income was charged at a floating interest rate per annum on the outstanding advance to a related party. The outstanding amount has been fully settled by the related party during the year ended 31 December 2019.
- (vi) As at 30 June 2020, the Group placed deposits of HK\$687 million (31 December 2019: HK\$644 million) with China Merchants Group Finance Co., Ltd., a subsidiary of CMG which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are included in cash and bank balances.

Interest income was charged at interest rates ranging from 1.61% to 3.30% (2019: from 0.35% to 2.03%) per annum.

- (vii) Interest expenses were charged at interest rates as specified in note 18 on the outstanding amounts due to these related parties.
- (viii) In the corresponding period last year, a subsidiary of the Company entered into a transaction with a related party for leasing a parcel of land located in Djibouti. At inception of the irrelevant lease, the Group has recognised a right-of-use asset amounting to HK\$217 million. Lease payment of HK\$217 million had been made by the Group during the prior period. As at 30 June 2020, the corresponding carrying amount of the right-of-use asset was HK\$212 million.
- (ix) During the current period, the Group acquired property, plant and equipment of HK\$2 million (2019: nil) from fellow subsidiaries.
- (x) Pursuant to the relevant agreements entered into between the Group, QHSH and the CMG Group, the Group's participation in the development of the Qianhai-Shekou Free Trade Zone includes:
- (1) resumption of certain land parcels held by two subsidiaries of the Group in Qianhai, Shenzhen, the PRC, by QHSH. The compensation for the resumption includes cash of RMB5,693 million (equivalent to approximately HK\$6,457 million) and a piece of land located in Dachan Bay Port Phase II, Shenzhen, the PRC;
 - (2) the establishment of a joint venture company (the "Joint Venture Company") by (i) an entity established in the PRC in which the Group holds 14% equity interest ("A1 Company", with the other 86% equity interest being held by certain members of the CMG Group) and (ii) a subsidiary of QHSH; and
 - (3) the injection into the Joint Venture Company of certain land parcels by A1 Company and injection of cash of RMB1,407 million (equivalent to approximately HK\$1,596 million) into A1 Company by the Group, of which RMB1,190 million (equivalent to approximately HK\$1,350 million) was injected into the Joint Venture Company.

During the year ended 31 December 2019, QHSH has assigned the land and related debt to a subsidiary of A1 Company ("A2 Company") and the Group has received the compensation in cash of RMB5,693 million (equivalent to approximately HK\$6,457 million) from A2 Company. As at 31 December 2019, the Group has not received the said piece of land in Dachan Bay.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes: (continued)

(x) (continued)

Other parties’ participation in the Qianhai-Shekou Free Trade Zone include, among others:

- (1) the injection into the Joint Venture Company of certain land parcels and injection of cash of RMB8,643 million (equivalent to approximately HK\$9,803 million) into A1 Company by certain members of the CMG Group, of which RMB7,310 million (equivalent to approximately HK\$8,291 million) has been injected into the Joint Venture Company; and
 - (2) the injection into the Joint Venture Company of certain land parcels by QHSH.
- (xi) As at 30 June 2020, the Group placed deposits of HK\$551 million (31 December 2019: HK\$886 million) with China Merchants Bank Co., Ltd. (“CMB”), an associate of CMG.

During the period, interest income from CMB amounted to HK\$5 million (2019: HK\$7 million).

There was no borrowing from CMB as at 30 June 2020 (31 December 2019: Nil).

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

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

(b) Transactions with other PRC state-controlled entities

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

(c) Balance and transaction with a non-controlling equity holder of a subsidiary

	Six months ended 30 June	
	2020	2019
	HK\$’million	HK\$’million
Interest expense paid (Note)	10	14

Note: Interest expense was charged at interest rates as specified in note 18(b) on the outstanding loan from a non-controlling equity holder of a subsidiary.

The balances with a non-controlling equity holder of a subsidiary as at 30 June 2020 and 31 December 2019 are disclosed in note 18.

Notes to the Condensed Consolidated Interim Financial Information

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21. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	Six months ended 30 June	
	2020	2019
	HK\$'million	HK\$'million
Salaries and other short-term employee benefits	14	13

22. EVENTS AFTER THE REPORTING PERIOD

Disposal of interests in Gainpro Resources Limited ("Gainpro") without losing control

On 29 June 2020, the Company entered into a share transfer deed, pursuant to which the Company has agreed to disposed of its approximately 23.53% interest in, and 23.53% of the shareholder's loan advanced by the Company to, Gainpro (together with its subsidiaries, the "Gainpro Group"), a wholly-owned subsidiary of the Company whose principal asset is its interest in 85% of the issued share capital of Hambantota International Port Group (Private) Limited ("HIPG", together with its subsidiary, the "HIPG Group") to an independent third party, Fujian Transportation Maritime Silk Road Investment and Management Co. Limited, for a total cash consideration of US\$268 million (equivalent to approximately HK\$2,077 million). The Group's effective interest in HIPG will be decreased from 85.00% to approximately 65.00% after the disposal.

Details of the transaction are set out in the announcement of the Company dated 29 June 2020.

The partial disposal of Gainpro has been completed in August 2020.

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