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

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

(Stock Code: 00144)

- Throughput of containers handled reached 54.87 million TEUs, up 0.6% (2019: 54.56 million TEUs)
- Throughput of bulk cargos handled reached 199 million tonnes, down 10.9% (2019: 223 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$1,546 million, down 76.3% (2019: HK$6,529 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$1,409 million, down 31.1% (2019: HK$2,045 million)
  - √ HK$2,214 million, down 16.5%, from ports operation (2019: HK$2,651 million)
- Basic earnings per share amounted to 44.83 HK cents, down 77.1% (2019: 196.07 HK cents)
- Interim dividend of 18 HK cents per share (2019: 22 HK cents per share)

2020 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited 2020 HK$'million	2019 HK$'million
Revenue	2	4,077	4,464
Cost of sales		(2,403)	(2,507)
Gross profit		1,674	1,957
Other income and other gains, net	4	600	6,373
Administrative expenses		(630)	(635)
Finance income	5	118	128
Finance costs	5	(930)	(1,017)
Finance costs, net	5	(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	6	(430)	(2,109)
Profit for the period	7	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	8	649	752
Earnings per share for profit attributable to equity holders of the Company	9		
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	**2019**
	HK$'million	*HK$'million*
Profit for the period	2,001	6,790
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(2,673)	(1,562)
Items that will not be reclassified subsequently to profit or loss:		
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		6,007	6,931
Intangible assets		9,049	10,244
Property, plant and equipment		23,029	23,870
Right-of-use assets		15,061	15,435
Investment properties		8,257	8,246
Interests in associates		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	10	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

	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		40,614	40,614
Reserves		35,210	37,169
Proposed dividend	8	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		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	11	3,841	4,707
Dividend payable to ordinary shareholders of the Company		2,000	—
Bank and other borrowings		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

NOTES:

1 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 The Stock Exchange of Hong Kong Limited (the "**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**").

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:

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.

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

2 Revenue

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

	Six months ended 30 June	
	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

3 Segment information

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

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

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

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										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
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

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						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
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

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						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	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)

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

	As at 31 December 2019										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	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)

4 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 fair value through profit or loss ("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 PRC recognised as non-current assets held for sale as at 31 December 2019 were resumed by Shantou Land Reserve Center, 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 of the China Merchants Group Limited and its subsidiaries at Qianhai, Shenzhen, the PRC were resumed by Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission, 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.

5 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.

6 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 4.

(b) Included in the amount for the six months ended 30 June 2019 was the net deferred tax arising the gain on resumption of land parcels at Qianhai amounting to HK$327 million.

7 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

8 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.

9 Earnings per share

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

	Six months ended 30 June	
	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.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,086 million (31 December 2019: HK$918 million).

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

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$276 million (31 December 2019: HK$338 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

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

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

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%.

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 2020 thousand TEUs	2019 thousand TEUs	Year-on-year changes
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.

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 transhipment 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 transhipment 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 transhipment 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.

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 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 net 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 net gain of HK$3,281 million (net of tax) on resumption of certain land parcels at Qianhai and a gain of HK$456 million 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

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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, 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.

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.

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.

Note 2 Net interest-bearing debt 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:

	30 June 2020 *HK$'million*	**31 December 2019** *HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
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

Note: All loans are unsecured except for the secured bank loans of HK$3,100 million (31 December 2019: HK$3,358 million).

	30 June 2020	31 December 2019
	HK$'million	*HK$'million*
Fixed-rate unlisted notes payable which are repayable:		
In 2022	2,746	2,791
Loans from fellow subsidiaries which are repayable as follows (Note):		
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

Note: 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 *HK$'million*	Listed notes payable *HK$'million*	Unlisted notes payable *HK$'million*	Loans from fellow subsidiaries *HK$'million*	Loan from immediate holding company *HK$'million*	Loan from a non-controlling equity holder of a subsidiary *HK$'million*	Total *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

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).

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 reliving 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.

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-tyred 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.

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 enhance 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, global economic regression, etc. However, the development of emerging markets and the improved situation of the pandemic in major regions have 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.

REVIEW OF FINANCIAL STATEMENTS

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.

CORPORATE GOVERNANCE

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

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

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

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

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2020 interim report will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By Order of the Board
China Merchants Port Holdings Company Limited
Deng Renjie
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises Mr. Deng Renjie, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.