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

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

(Stock Code: 00144)

- Throughput of containers handled reached 66.51 million TEUs, up 21.2% (2020: 54.87 million TEUs)
- Throughput of bulk cargos handled reached 284 million tonnes, up 42.8% (2020: 199 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$4,711 million, up 204.7% (2020: HK$1,546 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$4,530 million, up 221.5% (2020: HK$1,409 million)
  - √ HK$4,448 million, up 100.9%, from ports operation (2020: HK$2,214 million)
- Basic earnings per share amounted to 128.67 HK cents, up 187.0% (2020: 44.83 HK cents)
- Interim dividend of 22 HK cents per share (2020: 18 HK cents per share)

2021 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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Unaudited 2021 *HK$'million*	2020 *HK$'million*
Revenue	2	5,663	4,077
Cost of sales		(3,016)	(2,403)
Gross profit		2,647	1,674
Other income and other gains, net	4	283	600
Administrative expenses		(680)	(630)
Finance income	5	192	118
Finance costs	5	(847)	(930)
Finance costs, net	5	(655)	(812)
Share of profits less losses of			
Associates		4,145	1,417
Joint ventures		61	182
		4,206	1,599
Profit before taxation		5,801	2,431
Taxation	6	(527)	(430)
Profit for the period	7	5,274	2,001
Attributable to:			
Equity holders of the Company		4,711	1,546
Owners of perpetual capital securities		113	—
Non-controlling interests		450	455
Profit for the period		5,274	2,001
Dividends	8	823	649
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		128.67	44.83

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	2021	**2020**
	HK$'million	*HK$'million*
Profit for the period	5,274	2,001
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	528	(2,673)
Release of reserves upon deemed disposal of a subsidiary	(3)	—
Release of reserves upon deemed disposal of partial interest in an associate	(16)	—
Item that will not be reclassified subsequently to profit or loss:		
Share of other reserves of associates	(1)	(4)
Total other comprehensive income/(expense) for the period, net of tax	508	(2,677)
Total comprehensive income/(expense) for the period	5,782	(676)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	5,139	(657)
Owners of perpetual capital securities	113	—
Non-controlling interests	530	(19)
	5,782	(676)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	**Unaudited 30 June 2021** *HK$'million*	**Audited 31 December 2020** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		5,954	5,759
Intangible assets		9,348	9,369
Property, plant and equipment		26,784	26,509
Right-of-use assets		16,373	16,553
Investment properties		8,996	8,918
Interests in associates		69,366	67,426
Interests in joint ventures		9,130	9,091
Other financial assets		7,234	7,258
Other non-current assets		1,330	1,305
Deferred tax assets		506	420
		155,021	152,608
Current assets			
Inventories		145	179
Other financial assets		689	81
Debtors, deposits and prepayments	10	7,241	5,493
Taxation recoverable		7	8
Cash and bank balances		8,086	11,290
		16,168	17,051
Non-current assets held for sale		408	405
		16,576	17,456
Total assets		171,597	170,064

	Note	Unaudited 30 June 2021 HK$'million	Audited 31 December 2020 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		42,521	42,521
Reserves		47,842	43,501
Proposed dividend	8	823	1,867
		91,186	87,889
Perpetual capital securities		6,238	6,237
Non-controlling interests		19,997	19,509
Total equity		117,421	113,635
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		23,147	30,240
Lease liabilities		910	886
Other non-current liabilities		5,919	5,229
Deferred tax liabilities		4,725	4,482
		34,701	40,837
Current liabilities			
Creditors and accruals	11	4,170	4,152
Dividend payable to ordinary shareholders of the Company		1,867	—
Bank and other borrowings		11,014	8,952
Lease liabilities		39	76
Taxation payable		2,385	2,412
		19,475	15,592
Total liabilities		54,176	56,429
Total equity and liabilities		171,597	170,064
Net current (liabilities)/assets		(2,899)	1,864
Total assets less current liabilities		152,122	154,472

NOTES:

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2020 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements is as follows:

The Company has delivered the annual consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies in as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**").

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

During the period, the Group has applied, 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	
	2021	**2020**
	HK$'million	*HK$'million*
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	5,313	3,786
Warehousing services income, representing temporary storage of cargos and containers, custom clearance services and the auxiliary services	246	212
Revenue from contracts with customers	5,559	3,998
Gross rental income that are fixed from investment properties	104	79
	5,663	4,077

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 logistic park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

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

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations, 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.

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**
	2021	**2020**	**2021**	**2020**
	HK\$'million	*HK\$'million*	*HK\$'million*	*HK\$'million*
Mainland China, Hong Kong and Taiwan	3,519	2,192	102,390	98,321
Other locations	2,144	1,885	44,891	46,609
	5,663	4,077	147,281	144,930

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 2021										
	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	2,087	534	35	522	2,135	5,313	246	104	–	104	5,663
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,070	209	502	44	429	2,254	73	61	(138)	(77)	2,250
Share of profits less losses of											
– Associates	124	2,727	121	51	230	3,253	6	886	–	886	4,145
– Joint ventures	–	–	30	3	27	60	1	–	–	–	61
	1,194	2,936	653	98	686	5,567	80	947	(138)	809	6,456
Finance costs, net	7	–	–	(19)	(39)	(51)	(9)	(17)	(578)	(595)	(655)
Taxation	(263)	(156)	(53)	(23)	41	(454)	(19)	(54)	–	(54)	(527)
Profit/(loss) for the period	938	2,780	600	56	688	5,062	52	876	(716)	160	5,274
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	(113)	(113)	(113)
Non-controlling interests	(162)	(70)	–	(18)	(186)	(436)	(14)	–	–	–	(450)
Profit/(loss) attributable to equity holders of the Company	776	2,710	600	38	502	4,626	38	876	(829)	47	4,711
Other information:											
Depreciation and amortisation	297	117	1	161	468	1,044	58	1	13	14	1,116
Capital expenditure	642	19	–	69	82	812	3	21	5	26	841

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 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

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 2021										
	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)	19,686	7,773	1,309	12,096	37,572	78,436	2,900	9,110	1,734	10,844	92,180
Interests in associates	2,817	32,612	4,992	3,147	8,508	52,076	836	16,454	—	16,454	69,366
Interests in joint ventures	12	—	3,068	361	5,657	9,098	6	26	—	26	9,130
Non-current assets held for sale	—	—	—	408	—	408	—	—	—	—	408
Total segment assets	22,515	40,385	9,369	16,012	51,737	140,018	3,742	25,590	1,734	27,324	171,084
Taxation recoverable											7
Deferred tax assets											506
Total assets											171,597
LIABILITIES											
Segment liabilities	(3,603)	(243)	(44)	(1,596)	(10,764)	(16,250)	(613)	(1,441)	(28,762)	(30,203)	(47,066)
Taxation payable											(2,385)
Deferred tax liabilities											(4,725)
Total liabilities											(54,176)

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

	As at 31 December 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)	18,158	6,985	1,153	12,114	36,863	75,273	3,061	8,889	5,491	14,380	92,714
Interests in associates	2,581	30,597	4,437	3,108	10,244	50,967	869	15,590	—	15,590	67,426
Interests in joint ventures	6	—	3,020	360	5,677	9,063	6	22	—	22	9,091
Non-current assets held for sale	—	—	—	405	—	405	—	—	—	—	405
Total segment assets	20,745	37,582	8,610	15,987	52,784	135,708	3,936	24,501	5,491	29,992	169,636
Taxation recoverable											8
Deferred tax assets											420
Total assets											170,064
LIABILITIES											
Segment liabilities	(3,040)	(321)	(38)	(1,934)	(10,525)	(15,858)	(692)	(1,445)	(31,540)	(32,985)	(49,535)
Taxation payable											(2,412)
Deferred tax liabilities											(4,482)
Total liabilities											(56,429)

4 Other income and other gains, net

	Six months ended 30 June 2021 *HK$'million*	2020 *HK$'million*
Dividend income from equity investments	88	78
Increase in fair value of investment properties	4	144
Gain on resumption of land parcels at Shantou (Note)	—	615
Gain on disposal of property, plant and equipment	11	3
Net exchange (losses)/gains	(11)	34
Gain on deemed disposal of a subsidiary	17	—
Gain on deemed disposal of partial interest in an associate	500	—
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")	(22)	(167)
Increase in fair value of financial liabilities at FVTPL	(531)	(174)
Government grants	203	31
Others	24	36
	283	600

Note:

During the prior period, certain property, plant and equipment and land parcels located at Shantou, Guangdong Province, the People's Republic of China ("**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.

5 Finance income and costs

	Six months ended 30 June 2021 HK$'million	Six months ended 30 June 2020 HK$'million
Finance income from:		
Interest income from bank and other deposits	52	32
Interest income from advances to associates	102	53
Interest income from advance to a joint venture	38	33
	192	118
Interest expense on:		
Bank loans	(164)	(257)
Notes payable	(606)	(603)
Loans from:		
– a non-controlling equity holder of a subsidiary	(12)	(10)
– fellow subsidiaries	(9)	(17)
– immediate holding company	(21)	(9)
Lease liabilities	(25)	(26)
Others	(41)	(25)
Total borrowing costs incurred	(878)	(947)
Less: amount capitalised on qualifying assets (Note)	31	17
Finance costs	(847)	(930)
Finance costs, net	(655)	(812)

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 3.86% per annum (2020: 4.51% 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% (2020: 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/(credited) to the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2021	**2020**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong profits tax	4	2
PRC corporate income tax	292	299
Overseas profits tax	11	(5)
Withholding income tax	112	83
Deferred taxation		
Origination and reversal of temporary differences	108	51
	527	430

7 Profit for the period

	Six months ended 30 June	
	2021	**2020**
	HK$'million	*HK$'million*
Profit for the period has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,032	811
Depreciation of property, plant and equipment	733	658
Depreciation of right-of-use assets	249	213
Amortisation of intangible assets	134	127

8 Dividends

	Six months ended 30 June	
	2021	**2020**
	HK$'million	*HK$'million*
Interim dividend of 22 HK cents (2020: 18 HK cents) per ordinary share	823	649

At a meeting held on 30 August 2021, the Board of Directors proposed an interim dividend of 22 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such interim dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as dividend payable in this condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

The amount of interim dividend for 2021 was based on 3,743,142,822 (2020: 3,607,640,423) shares in issue as at 30 August 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 1 June 2021, a final dividend of 51 HK cents per ordinary share, totalling HK$1,867 million for the year ended 31 December 2020 was declared. In July 2021, the Company issued 82,054,406 shares under the Company's scrip dividend scheme.

9 Earnings per share

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

	Six months ended 30 June	
	2021	**2020**
Basic		
Profit attributable to equity holders of the Company (HK$'million)	4,711	1,546
Weighted average number of ordinary shares in issue	3,661,088,416	3,448,947,770

No diluted earnings per share for both six months ended 30 June 2021 and 2020 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$1,342 million (31 December 2020: HK$1,018 million).

The Group has a credit policy of allowing an average credit period of 90 days (31 December 2020: 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 2021 *HK$'million*	**31 December 2020** *HK$'million*
0 - 90 days	1,282	996
91 - 180 days	43	8
181 - 365 days	12	4
Over 365 days	5	10
	1,342	1,018

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$468 million (31 December 2020: HK$312 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	30 June 2021 *HK$'million*	**31 December 2020** *HK$'million*
0 - 90 days	359	260
91 - 180 days	74	15
181 - 365 days	4	—
Over 365 days	31	37
	468	312

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

In order to reward investors' continuous support of the Group, the Board resolved to declare an interim dividend of 22 HK cents per share, totalling HK$823 million for the six months ended 30 June 2021 (representing a dividend payout of 17.5%) 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 (2020: scrip dividend of 18 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 November 2021 to shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 4 October 2021 (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 8 October 2021. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**HKSE**") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto. It is expected that the interim dividend warrants and certificates for the new shares will be despatched to shareholders on or around 18 November 2021.

CLOSURE OF REGISTER

The Register of Members will be closed from 28 September 2021 to 4 October 2021 (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 27 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In the first half of 2021, with the continuous advancement of COVID-19 vaccination, the pandemic situation has eased. Despite the recurring pandemic situations in some European countries, United States and developing countries, the global economy has been out of the doldrums and continued to recover amidst fluctuations which was benefitted from the fiscal and monetary stimulus policies generally adopted by various countries and the resumption of industrial production and consumption activities. Among them, the production side was gradually approaching the level before the pandemic, and the consumption side was accelerating recovery, while the trade in commodity and services achieved stable and sustained growth. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in July 2021, the global economy in 2021 was expected to grow by 6%, representing an increase of 9.2 percentage points year-on-year. Among that, developed economies were projected to grow by 5.6%, while emerging markets and developing economies to grow by 6.3%, up by 10.2 percentage points and 8.4 percentage points year-on-year, respectively. Besides, according to the forecast of the World Trade Organization in April 2021, global trade would increase by 8% in 2021 due to the economic recovery driven by vaccination acceleration.

Benefitted from the good results of pandemic prevention and control and the support of the "Six Stability"(六穩) and "Six Security"(六保) policies, China's macro economy recovered steadily and tended to be balanced in the first half of 2021. According to the National Bureau of Statistics of China, China's GDP was RMB53.22 trillion in the first half of 2021, up by 12.7% year-on-year at comparable prices. On the other hand, derived from the recovery of the global economy in the first half of 2021, China's monthly import and export had achieved year-on-year growth for 13 consecutive months, further consolidating the steady growth of foreign trade. According to the statistics published by the General Administration of Customs of China, the total value of foreign trade of import and export of China amounted to RMB18.07 trillion in the first half of 2021, representing a year-on-year increase of 27.1%, among which the export value was RMB9.85 trillion, up by 28.1% year-on-year, and the import value was RMB8.22 trillion, up by 25.9% year-on-year. The trade surplus was RMB1.63 trillion.

Since 2021, with the widespread of vaccination against COVID-19, pandemic prevention and control in United States and European countries have been steadily improving, and the demand for global trade in goods has rebounded, and the demand in the maritime market has been increasing. However, while export demand continued to increase, the backflow of empty containers boxes from European and American ports was slow due to the impact of the pandemic, coupled with the "black swan events" such as the Suez Canal blockage and coronavirus outbreak at Yantian Port, resulting in ship delay, port congestion, routes adjustments, etc. from time to time. The distribution of containers was partially unbalanced, and the effective shipping capacity continued to decline, and the freight rate in the international market kept rising. As the global trade steadily recovered, the overall performance of the port industry was in good business condition, and throughput volume and berth utilization rate continued to move up. The imbalance of global demand and supply in the first half of 2021 led to strong growth in China's export. The container throughput of China's major ports showed a rapid growth trend. According to the data published by the Ministry of Transport of China, the accumulated container throughput handled by Chinese ports reached 138.18 million TEUs in the first half of 2021, representing an increase of 15.0% year-on-year, of which, 121.98 million TEUs were handled by coastal ports, representing a year-on-year increase of 14.0%.

During the first half of 2021, the Group's ports handled a total container throughput of 66.51 million TEUs, up by 21.2% as compared with the corresponding period last year, and bulk cargo volume of 284 million tonnes, up by 42.8% over the same period of the previous year. For the six months ended 30 June 2021, the Group's revenue amounted to HK$5,663 million, representing a year-on-year increase of 38.9%. Profits attributable to equity holders of the Company amounted to HK$4,711 million, representing a year-on-year increase of 204.7%.

BUSINESS REVIEW

Ports operation

In the first half of 2021, the Group's ports handled a total container throughput of 66.51 million TEUs, up by 21.2% year-on-year. Among which, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 49.87 million TEUs, representing an increase of 17.0% year-on-year, which was mainly benefitted from the positive trend of the gradual recovery of economy. The Group's overseas ports handled a total container throughput of 16.63 million TEUs, representing an increase of 35.9% year-on-year, which was mainly contributed from the additional throughput of the eight terminals acquired by Terminal Link SAS ("**Terminal Link**") since 26 March 2020 and the growth in throughput volume of controlled overseas terminals of the Group, including Colombo International Container Terminal Limited ("**CICT**") in Sri Lanka, 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 increased by 42.8% year-on-year to 284 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 281 million tonnes, representing an increase of 43.2% year-on-year.

The gross throughput volume handled by the Group's container terminals for the six months ended 30 June 2021 is as below:

	For the six months ended 30 June		
	2021	**2020**	**Year-**
	thousand	thousand	**on-year**
Container Terminals	TEUs	TEUs	**Changes**
Mainland China, Hong Kong and Taiwan	**49,873**	**42,629**	**17.0%**
Pearl River Delta region	**9,372**	**7,843**	**19.5%**
West Shenzhen Port Zone	5,786	4,557	27.0%
China Merchants Container Services Limited and Modern Terminals Limited	2,817	2,630	7.1%
Chu Kong River Trade Terminal Co., Limited	547	481	13.7%
Guangdong Yide Port Limited	222	175	26.9%
Yangtze River Delta region	**24,636**	**21,538**	**14.4%**
Shanghai International Port (Group) Co., Ltd.	22,939	20,063	14.3%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	1,697	1,475	15.1%
Bohai Rim region	**13,295**	**11,081**	**20.0%**
Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited)	4,645	3,601	29.0%
Qingdao Qianwan United Container Terminal Co., Ltd.	4,184	3,810	9.8%
Tianjin Port Container Terminal Co., Ltd.	4,466	3,670	21.7%
Others	**2,570**	**2,167**	**18.6%**
Shantou China Merchants Port Group Co., Ltd.	923	622	48.4%
Zhangzhou China Merchants Port Co., Ltd.	119	158	(24.7%)
Zhanjiang Port (Group) Co., Ltd.	578	606	(4.6%)
Kao Ming Container Terminal Corp.	950	781	21.6%
Other locations	**16,632**	**12,239**	**35.9%**
Colombo International Container Terminals Limited	1,501	1,375	9.2%
Lomé Container Terminal S.A.	732	605	21.0%
Tin-Can Island Container Terminal Ltd.	147	160	(8.1%)
Port de Djibouti S.A.	351	421	(16.6%)
TCP Participações S.A.	539	475	13.5%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	618	602	2.7%
Terminal Link SAS	12,744	8,601	48.2%
Total	**66,505**	**54,868**	**21.2%**

Pearl River Delta region

The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 5.79 million TEUs, up by 27.0% year-on-year, which was driven by newly added shipping routes in Asia and North America, and the Group actively strived for overtime vessels to realize throughput growth. Bulk cargo volume reached 4.10 million tonnes, up by 7.0% year-on-year, which was mainly due to significant increase in foreign trade volume of feed grain. Guangdong Yide Port Limited handled a container throughput of 0.22 million TEUs, up by 26.9% year-on-year, which was mainly benefitted from the resumption of orderly production of local enterprises, and year-on-year increase in foreign trade volume; and handled a bulk cargo volume of 2.60 million tonnes, up by 68.5% year-on-year, which was mainly benefitted from the major customers strategy and continuous optimization of customers and cargos types structure. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 0.55 million TEUs and a bulk cargo volume of 1.42 million tonnes, up by 13.7% and 16.6% year-on-year respectively, mainly because certain international shipping routes were resumed due to the ease of the pandemic. China Merchants Container Services Limited and Modern Terminals Limited in Hong Kong delivered an aggregate container throughput of 2.82 million TEUs, up by 7.1% year-on-year.

Yangtze River Delta region

Benefitted from the growth of import and export trade driven by the steady recovery of the global economy, Shanghai International Port (Group) Co., Ltd. handled a container throughput of 22.94 million TEUs, up by 14.3% year-on-year. Bulk cargo volume increased by 28.5% year-on-year to 44.64 million tonnes. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.70 million TEUs, representing an increase of 15.1% year-on-year, which was mainly benefitted from the six newly added shipping routes and actively striving for overtime vessels, resulting in a throughput growth of domestic and international container volumes.

Bohai Rim region

In February 2021, Liaoning Port Company Limited ("**Liaoning Port**") (formerly known as "Dalian Port (PDA) Company Limited") successfully completed the merger with Yingkou Port Liability Co., Ltd. Liaoning Port handled a container throughput of 4.65 million TEUs in the first half of 2021, up by 29.0% year-on-year; and its bulk cargo volume handled was 129.73 million tonnes, up by 90.9% year-on-year. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 4.18 million TEUs, representing an increase of 9.8% year-on-year, which was mainly benefitted from an increase in international transshipment containers and domestic containers. Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 9.16 million tonnes, representing an increase of 16.3% year-on-year, which was mainly attributable to reinforced cooperation with major customers and increase in major cargo types such as pulp. Thanked to the increase in demand for the iron ore in the region, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 33.73 million tonnes, indicating an increase of 11.0% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 4.47 million TEUs, representing an increase of 21.7% year-on-year, which was mainly attributable to the increase in domestic throughput brought by deepening cooperation with major customers.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.92 million TEUs, up by 48.4% year-on-year, which was mainly contributed by the expansion of both domestic and international shipping routes; and a bulk cargo volume of 1.62 million tonnes, up by 1.1% year-on-year. Zhangzhou China Merchants Port Co., Ltd., located in the Xiamen Bay Economic Zone, handled a container throughput of 0.12 million TEUs, decreased by 24.7% year-on-year as affected by the pandemic, while its bulk cargo volume increased by 71.2% year-on-year to 4.31 million tonnes, mainly due to the growing customer demand in the hinterland, leading to an increase in import cargos. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 2.39 million tonnes, up by approximately 23 times year-on-year, which was mainly attributable to from the growth in domestic business of sandstone driven by the increase in customer demand.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.58 million TEUs, down by 4.6% year-on-year, mainly due to the decrease in the volume of domestic boxes affected by the reduction of shipping routes. It also handled a bulk cargo volume of 47 million tonnes, up by 6.2% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung ("**KMCT**"), Taiwan handled a total container throughput of 0.95 million TEUs, representing an increase of 21.6% year-on-year, which was mainly caused by ports in the United States and European countries suffered from port congestion due to the pandemic, with some front-loading stevedoring activities in KMCT.

Overseas operation

During the first half of 2021, a total container throughput handled by the Group's overseas projects increased by 35.9% year-on-year to 16.63 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 1.50 million TEUs, up by 9.2% year-on-year, which was mainly benefitted from the increase in transshipment container volume. Hambantota International Port Group (Private) Limited ("**HIPG**") handled a bulk cargo volume of 0.79 million tonnes, increased by 338.1% year-on-year, which was mainly due to the continuous growth in the cement business volume since the second half of 2020, and its RORO terminal handled 0.281 million vehicles, up by 56.2% year-on-year, which was mainly attributable to the growth in vehicles transshipment business. Benefitted from the increase in local imported container volume driven by the resumption of work and production of the enterprises in Brazil in the first half of the year, TCP in Brazil handled a container throughput of 0.54 million TEUs, up by 13.5% year-on-year. Container throughput handled by LCT in Togo increased by 21.0% year-on-year to 0.73 million TEUs, which was mainly attributable to the stable growth in container volume from major customers. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.15 million TEUs, representing a decrease of 8.1% year-on-year. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.35 million TEUs, down by 16.6% year-on-year, and a bulk cargo volume of 2.60 million tonnes, down by 8.9% year-on-year, mainly because this region was hit by impact of the pandemic, resulting in weak economic growth in the hinterland. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 0.62 million TEUs, representing an increase of 2.7% year-on-year; while bulk cargo volume handled was 0.08 million tonnes, up by 277.3% year-on-year, which was mainly due to growing local export demand. Terminal Link handled a container throughput of 12.74 million TEUs, up by 48.2% year-on-year, which was contributed from the additional container throughput handled by eight newly acquired terminals, of which the acquisition was completed in March 2020, as well as the outstanding performance of its terminals located in European countries.

Strategic deployments in the ports operation

In the first half of 2021, by continuing to adhere to the general tone of making progress while remaining stable, embarking on a new development stage, being committed to a new development philosophy, building a new pattern of development and fully promoting high-quality development, the Group has achieved the following operating results and strived for breakthroughs in seven key aspects, namely the development of homebase port, overseas business, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce.

In the first half of 2021, there are three highlights on the Group's business operation. First of all, the overall operation of the Group, both containers and bulk cargos, has recorded a significant increase. With the overall positive prospect of the port industry, the Group's West Shenzhen homebase port, as the important pillars for the port logistics industry in South China, has unremittingly established the Southeast Asian shipping routes regional center, covering Southeast Coastal and Southwest Coastal regions. Secondly, the Group has always highly concerned with pandemic prevention and control, and emphasized that it is important to "attach great importance, require high standards, implement efficiently, make constant efforts, prepare for emergency situations, enhance pandemic prevention plans, optimize pandemic prevention processes, refine pandemic prevention measures, maintain vigilance to make sure everything is on the safe side" in respect of pandemic prevention and control. The Group also responded actively to the recurring pandemic situation in the first half of the year and ensured normal port operations while handling the pandemic prevention and control properly, which reflected the strengths at operation management level. Thirdly, Mawan Smart Port under the Group, which was officially put into operation in late June 2021, with the harbour area of 983,600 sq.m. and the quay length of 1,930 metres, has five berths in total, including two newly built 200,000-ton capacity berths specialized for container vessels, and its capacity represents the largest in South China. Those two berths are able to accept the world's largest container vessels, with a designed annual handling capacity of 3 million TEUs, being a model for upgrade of traditional terminals in both domestic and overseas market. As compared with the traditional ports, Mawan Smart Port has significantly increased its operation efficiency. Its workforce decreased by 80%; comprehensive operational efficiency increased by 30%; potential safety risks reduced by 50%; carbon emissions reduced by 90%, and customs clearance efficiency increased over 30%. Meanwhile, the construction cost of transformation to an automated terminal reduced by 50% compared with a newly-built terminal, achieving considerable economic benefits. Mawan Smart Port is expected to have a positive impact on stabilizing the logistics supply chain in South China, and will further enhance the regional competitiveness and influence of the West Shenzhen Port Zone thereby contributing to building "world-class leading ports".

As for the development of homebase ports, the Group adhered to the strategic objective of "building world-class leading ports", further enhanced the comprehensive competitiveness of the West Shenzhen homebase port as a world-class leading port, and strengthened the overseas homebase port Sri Lanka's leading position of the hub in South Asia, so as to advance the development of leading ports. For the West Shenzhen Port Zone, it has comprehensively enhanced the overall competitiveness by improving customer service quality, expanding ancillary and value-added services, enhancing the foundation of the management, and optimizing resources allocation. In the first half of 2021, Mawan Smart Port was officially put into operation, which tremendously enhanced the core competitiveness of the West Shenzhen Port Zone. In addition, the Group accelerated the development of the coordinated ports in the Guangdong-Hong Kong-Macao Greater Bay Area and promoted the official launch of the "Shenzhen Shekou-Shunde Beijiao Coordinated Port" project in the first half of the year, which further expanded the coordinated port locations. The Group further strengthened in-depth communication with shipping companies to ensure routes stability. For the West Shenzhen homebase port, it will continuously foster the construction of infrastructure projects and the cargo transportation and logistics system in order to improve efficiency in customs clearance and further enhance the capability of cargo transportation and logistics. For the overseas home port, the Group continuously integrated the operation and management of HIPG and CICT, and promoted the coordinated development of these two ports as well as the comprehensive development of major projects, thereby comprehensively improving regional competitiveness and influence.

Regarding overseas business, the Group kept abreast of changes in the economy and trade environment and implemented targeted investments in key regions. The Group also strengthened the function of Terminal Link as the regional investment development platform, and optimized the development of the overseas project management and control system, as well as the overseas project management policy. Meanwhile, it promoted the quality and efficiency improvement of overseas terminals, the Group comprehensively deepened business collaboration with internal resources and strategic partners, and further integrated the resources of the port industry chain, value chain, logistics chain and innovation chain.

In terms of innovative development, the Group actively promoted the revision and improvement of digitalisation planning, combined with the direction of industry technology development, continuously diversified and improved the research and development of the "CMCore" series products, which would be actively promoted to various domestic and overseas port operators. The Group further promoted the implementation of nine major intelligent elements in the Mawan Smart Port construction project, namely "CM ePort", "CMCore", automation technology, intelligent customs, the application of 5G network, blockchain, Beidou system, artificial intelligence application, and green and low-carbon, and fully promoted the construction of Mawan Smart Port. In terms of the integration of industry and finance, the Group will focus on the port-industry ecosystem to promote technological innovation and transformation.

With respect to comprehensive development, the Group was committed to improving the global network layout and business synergies in overseas projects, and deepened the implementation of "Port-Park-City" model in overseas regions. In the first half of 2021, under the adverse impact of the continuous spread of the pandemic, the promotion activities of induction of business and investment in overseas logistic parks continued to be steadily progressed, the number of contracted enterprises in the HIPG industrial zone and Djibouti International Free Trade Zone reached 27 and 162 respectively. The comprehensive development has been making sound progress.

In respect of operation management, the Group continued to uphold its strategy, following the direction of "empowerment, professionalism and value". The group developed with five core elements, namely "management standard, teams of experts, closed-loop procedure, information system and benchmarking enhancement", so as to establish an operation management system with sustainable value creation. The Group continuously deepened refined management, linked the improvement of quality and efficiency with performance appraisal, and greatly integrated the improvement of quality and efficiency with strategic goals. The subsystem of the lifecycle asset management system has been put into trial operation to further optimize the overall management system. The Group improved the various management mechanisms and systems to enhance the overall management level, promoted the construction of a risk management information platform, and improved the internal control system continuously with optimizing risk preference indicators to complete overseas risk quantitative management reports and establish risk warnings to enhance risks control level.

In respect of capital operation, the Group continued to promote the normalisation of capital operation, centred on revitalising the existing assets and optimising asset structure to advance the transformation of "asset-heavy to asset-light" and "quantity to quality". The Group optimised the capital structure of the existing assets and promoted asset-light operation projects to advance the transformation from "asset-heavy to asset-light". Meanwhile, the Group continued to enhance the function of the financial sharing center, and explored the construction of a global financial centre of the Group in order to facilitate the transformation of "quantity to quality".

As for marketing and commerce, the Group kept cooperating with major shipping companies to improve the port conditions and ensure routes stability. The Group adhered to customer-orientation and aim to meet customer needs. Leveraged on the substantial improvement of capacity and port conditions from the commencement of operation in new berths at Mawan Smart Port and all-weather navigation of the 200,000-ton waterway channel, the Group strengthened its marketing and business promotion in the West Shenzhen Port Zone. In the first half of 2021, some new shipping routes such as North America line, Asia line and India line were newly added, and further strengthened the Group's in-depth cooperation with major shipping companies. The Group put more efforts to maintain the existing routes and expand new routes, in order to increase market share in South China.

Bonded logistics operation

In the first half of 2021, the Group's bonded logistics business continued to pursue the development direction of diversifying integrated services, enhanced the utilisation rate of resources at the existing warehouses and yards so as to respond to market changes and the unstable situation under the pandemic. The average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen was 96%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. fully utlisied its resources to develop the self-operated business and the average utilisation rate of the warehouses reached 100%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 84% of its warehouses. In Djibouti International Free Trade Zone, the average utilisation rate of the bonded warehouse, which the Group invested in, was 97%, and for the wholly-owned bonded warehouse of the Group, it recorded an average utilisation rate of 58%.

In the first half of 2021, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 1.99 million tonnes, up by 12.4% year-on-year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.42 million tonnes, representing an increase of 16.7% year-on-year and a market share of 20.9%, up by 0.8 percentage point as compared with the corresponding period last year.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group's revenue recorded HK$5,663 million, up by 38.9% year-on-year, which was mainly due to the high business volume of ports operation. Profits attributable to equity holders of the Company amounted to HK$4,711 million, representing an increase of 204.7% year-on-year, which included a gain of HK$450 million (net of tax) on deemed disposal of partial interest in an associate during the period, while the amount for the same period last year included a net gain of HK$277 million (net of tax) on resumption of certain land parcels at Shantou. The recurrent profit [Note1] increased by 221.5% year-on-year to HK$4,530 million, which was due to the increase in revenue and increase in share of profits of associates.

Total assets of the Group slightly increased by 0.9% from HK$170,064 million as at 31 December 2020 to HK$171,597 million as at 30 June 2021. The total liabilities of the Group decreased by 4.0% from HK$56,429 million as at 31 December 2020 to HK$54,176 million as at 30 June 2021 due to repayment of bank loans. As at 30 June 2021, net assets attributable to equity holders of the Company was HK$91,186 million, up by 3.8% as compared to that as at 31 December 2020. This was mainly attributed to the increase in profits attributable to equity holders of the Company.

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 has been recognised in the reserve of the Group. The Group has developed a sound foreign exchange rate risk management mechanism to prevent the impact arising from foreign exchange rate fluctuation on the Group, and thus maintaining foreign exchange risk at a manageable level.

In general, the Group's ports operation continued to yield stable cash inflow. For the six months ended 30 June 2021, the Group's net cash inflow from operating activities was HK$4,237 million, an increase of 132.4% as compared with the corresponding period of last year, among which, the receipt of cash dividends from associates and joint ventures were HK$1,768 million, an increase of 564.7% as compared with the corresponding period of last year. Due to the capital expenditure on business acquisitions decreased significantly as compared to the same period last year, the Group's net cash outflow from investment activities decreased from HK$7,654 million to HK$1,597 million. At the same time, as a result of the significant increase in repayment of bank loans as compared to the same period last year, the Group's cash flow from financing activities significantly decreased from a net inflow of HK$3,861 million for the same period last year to a net outflow of HK$6,183 million for the current period.

Note 1 Profits attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for the first half of 2021, 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 a subsidiary and gain on deemed disposal of partial interest in an associate; while 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 net gain on resumption of certain land parcels at Shantou.

LIQUIDITY AND TREASURY POLICIES

As at 30 June 2021, the Group had approximately HK$8,086 million in cash and bank balances, 2.1% of which was denominated in Hong Kong dollar, 12.4% in United States dollar, 65.2% in Renminbi, 13.9% in Euro, 6.2% in Brazilian Real and 0.2% 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$4,237 million in total.

During the period, the Group incurred capital expenditure amounting to HK$841 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$27,459 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 2021, the Company had 3,661,088,416 shares in issue. In July 2021, the Company issued 82,054,406 shares under the Company's scrip dividend scheme.

As at 30 June 2021, the Group's net gearing ratio [Note2] was approximately 23.0%.

The Group had aggregate bank loans, listed notes payable and perpetual capital securities of HK$30,259 million as at 30 June 2021 that contain customary cross default provisions.

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

As at 30 June 2021, the Group's outstanding interest-bearing loans and notes are analysed as below:

	30 June 2021 *HK$'million*	**31 December 2020** *HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	2,578	6,916
Between 1 and 2 years	1,115	1,123
Between 2 and 5 years	3,320	3,793
More than 5 years	1,047	987
	8,060	12,819
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	60	772
Between 2 and 5 years	803	796
More than 5 years	34	30
	897	1,598
Floating-rate listed notes payable which are repayable:		
In 2021	192	182
In 2022	470	439
	662	621
Fixed-rate listed notes payable which are repayable:		
In 2022	3,876	3,865
In 2023	6,962	6,944
In 2025	3,870	3,863
In 2028	4,610	4,602
	19,318	19,274

Note: All loans are unsecured except for the secured bank loans of HK$2,664 million (31 December 2020: HK$2,941 million).

	30 June 2021	31 December 2020
	HK$'million	*HK$'million*
Fixed-rate unlisted notes payable which are repayable:		
In 2022	2,995	2,971
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	113	148
Between 2 and 5 years	236	152
More than 5 years	164	155
	513	455
Loan from immediate holding company		
Repayable within 1 year	1,200	934
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	516	520

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

	Bank loans *HK$'million*	Notes payable *HK$'million*	Loans from a fellow subsidiary *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 2021						
HKD & USD	3,853	19,318	—	—	—	23,171
RMB	3,829	2,995	513	1,200	—	8,537
EURO	986	—	—	—	516	1,502
Brazilian Real	289	662	—	—	—	951
	8,957	22,975	513	1,200	516	34,161
As at 31 December 2020						
HKD & USD	7,645	19,274	—	—	—	26,919
RMB	5,082	2,971	455	934	—	9,442
EURO	1,191	—	—	—	520	1,711
Brazilian Real	499	621	—	—	—	1,120
	14,417	22,866	455	934	520	39,192

ASSETS CHARGE

As at 30 June 2021, bank loans of HK$617 million (31 December 2020: HK$536 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$456 million (31 December 2020: HK$458 million) and right-of-use assets with carrying value of HK$229 million (31 December 2020: HK$230 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$2,047 million (31 December 2020: HK$2,405 million).

EMPLOYEES AND REMUNERATION

As at 30 June 2021, the Group employed 8,309 fulltime staff, of which 189 worked in Hong Kong, 5,460 worked in Mainland China, and the remaining 2,660 worked overseas. The remuneration paid by the Group during the period amounted to HK$1,032 million, representing 27.9% of the total operating expenses of the Group.

In the first half of 2021, the Group adhered to market orientation, combined with market remuneration trends, and reviewed the existing remuneration strategy in a timely manner to ensure market competitiveness. The Group continued to optimise the remuneration incentive mechanism via improving the performance evaluation system and incentive mechanism, and released the performance appraisal system and strategic appraisal salary incentive plan for senior management, strengthened the link between appraisal results and performance-based pay in order to stimulate the potential and creativity of employees and further improved the efficiency of resource allocation. At the same time, relying on the establishment of a smart human resources system (HRMax) platform, the Group achieved the projectization of performance goals, the digitization of employees' work behaviors and the visualization of their ability performance to ensure the accomplishment of annual goals at every level and down to the level of each employee. The system also achieved real-time tracking and strengthened the key function of the performance results in the incentive system.

The Group continued to optimise the employment and promotion mechanism. The Group has formulated relevant regulations and measures, and published management systems to focus on the cultivation of talents and intensified selection and training via launching special centralised training, bench learning, continuing education, project practice, front-line training, exchanges and appointments, and secondment for getting experience and mentor system, etc. This coordinated training model with multi-level, multi-channel, multi-form features helped the Group achieve the improvement of operating efficiency.

In the first half of 2021, under the unstable global pandemic situation, the Group always put employees' health and safety in the first place. The Group adhered to its work principle of setting up a system, strengthening processes, emphasising management and improving services, and continuously took employees' health management in both physical and mental aspects into serious consideration. The Group provided comprehensive measures to protect the health of employees and their families, including organisation of physical examinations, distribution of pandemic prevention supplies, conduction of health lectures, and provision of online medical service with expert team through health management platform and formulation of family doctors for 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 ecological green ports that strictly abided by relevant environmental protection laws and regulations. The Group aims to improve corporate environmental protection systems and formulate relevant governance systems during the reporting period to implement environmental protection responsibilities, and further promote the effective implementation of energy conservation and environmental protection management. The Group identified and responded to risks brought by climate change, and attached great importance to the prevention of typhoons, and actively responded to the impact of climate change. The Group also actively responded to the "carbon peak" and "carbon neutral" national strategies, and actively participated in the construction of dual-carbon demonstration projects and carbon verification and compliance.

The Group firmly established the concept of green development, and actively promoted energy-saving technology reform and green and low-carbon technologies to continuously improve operation and energy efficiency. By constructing green and low-carbon ports, the Group strived to contribute to global climate governance. The Group strictly abided by the environmental protection standards of countries and regions in the world and implemented the idea of "managing production must manage environmental protection" to strengthen environmental protection governance and improve hardware capabilities of environmental protection and pollution prevention via strengthening on-site control and daily environmental protection inspections. The Group adopted energy-saving technical reformation policy combining the independent reformation and assistance from external professional energy-saving institutions, and continued to promote new energy-saving technologies and products such as "Shore-Powered Supply for Vessels (船舶岸基供電)", "Substitution of Fuel Powered Equipment with Electricity-Powered Equipment (油改電)", "Engine Upgrade Replacement (發動機升級置換)" and "Belt Conveyor Reformation (皮帶輸送機改造)", as well as "hydrogen" fuel trailers test in order to effectively improve energy efficiency and green shipping development. By adhering to the implementation of national and local energy-saving policies, the Group eliminated outdated storage facilities without using inefficient obsolete equipment, and applied international advanced technology to transform current technical equipment in operation to improve the overall technical equipment level.

The Group adhered to the concept of integration with win-win, giving importance to the mutual support and trust among communities. The Group was committed to giving back to the society through participation in infrastructure construction, talent education, medical assistance and other public welfare projects. During the pandemic, the Group continued to assist the impoverished communities with care for their needs to fight for the pandemic. The construction of "Hope Village" community activity center in Sri Lanka has been basically completed by CICT. The second "Hope Village" project jointly developed by CICT and HIPG in Hambantota District, Sri Lanka has launched in April 2021. The Group also donated funds to Sri Lanka to build COVID-19 isolation centre, and donated containers to a hospital in Gampaha District, Western Province, Sri Lanka for transforming to nucleic acid testing laboratories. Simultaneously, the Group donated pandemic prevention supplies and equipment a hospital in to Hambantota, and donated funds to Hambantota Education Bureau and the hospital. In addition, Djibouti project also donated living materials to local poor families.

In the first half of 2021, the Group further developed the "Shaping Blue Dreams Together (C-Blue)" charity brand. The C-Blue volunteer team carried out works regarding left-behind children and rural poverty. In the first half of 2021, the Group successfully hosted the meaningful six days and five nights students development camp named "Growing with Love and Companion of CMPort" (招有愛 伴成長) for 100 teachers and students in Weining County, Guizhou Province to deliver warmness and careness cross mountains and seas to accompany the healthy grow up of Weining students.

FUTURE PROSPECTS

Looking forward into the second half of 2021, the global economy will tend to faster recovery alongside the vaccination progress advanced. The impact of the pandemic in developed countries will be weakened and the production and life become further normalized. As the overall economy is at a stage of recovery and growth, the global economy is expected to continue to pick up in the second half of the year. However, uncertainties still exist in global economy and trade due to variant virus and vaccination progress. In addition, risks including global economic and trade frictions, inflationary crisis caused by the loose monetary policy, structural imbalances, rising commodity prices, and changes in the financing environment will all pose challenges to the global economic recovery. The IMF predicted the global economy to grow by 6% in 2021, representing an increase of 9.2 percentage points as compared to that of 2020. In particular, the developed economies will grow at 5.6%, up 10.2 percentage points as compared to that of 2020; and the emerging markets and developing economies will grow at 6.3%, up 8.4 percentage points as compared to that of 2020. Global trade volume (including goods and services) will grow by 9.7%, up 18 percentage points as compared to that of 2020.

In the second half of 2021, China will foster the construction of the new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay, whereby it will accelerate the recovery of domestic demand and continue to provide policy support for the recovery of consumption and investment in manufacturing sector. In terms of exports, the pandemic situation in major overseas economies is expected to be further eased in the second half of 2021, and overseas supply chains will also be repaired, which will, to a certain extent, weaken China's position of substitution in production. As a result, China's export growth rate in the second half of 2021 is expected to experience a gradual marginal slow down, but export will maintain a strong support for the economy throughout the year. Overall, the domestic economy is expected to continue the steady recovery. The IMF predicts in its "World Economic Outlook" released in July 2021 that China's economy will grow by 8.1% in 2021, and will remain its leading role in the global economic recovery.

In the second half of 2021, the gradual recovery of the global economy will have a positive impact on the development of global trade. It is expected that the demand for container shipping will increase accordingly. According to the second quarter report released by Clarkson Research, the global container transportation volume is expected to grow by about 6.0% to reach 206 million TEUs in 2021.

Based on the above analysis and judgements, in the second half of 2021, the Group will continue to adhere to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes". In the context of a new development stage, the Group will strive to realise its strategic goal of becoming a "world-class comprehensive port service provider" by 2022 via implementing the new development concept, building a new development pattern, and improving digitalisation, marketisation, internationalisation, platformisation and refinement.

In terms of the construction of homebase ports, the West Shenzhen Port Zone will closely follow the strategic goal of being a strong transportation country. The Group will continuously improve service quality, keep infrastructure construction, continue to strengthen the construction of the blockchain platform for logistics and trade facilitation to improve competitiveness. In the second half of 2021, Mawan Smart Port will further deepen its integrated operation, and continue to optimise and adjust the unmanned trailer project, and form a smart port with the characteristics of the Group. In terms of overseas homebase ports, the Group will continue to improve the development plan of overseas homebase ports via deepening integrated operations, leverage the advantages of port area linkage via strengthening cooperation with shipping companies to build them into international shipping hubs in South Asia.

In respect of overseas business, the Group will continue to optimise its overseas presence. Through strengthening the position of Terminal Link as a regional investment platform, the Group will actively seek high-quality investment opportunities around the globe. Leveraging the regional influence of overseas terminals, the Group will strengthen regional market expansion, and continue to promote port-vicinity industry projects. Through improving overseas management systems to enhance the management efficiency for overseas projects, the Group will strive to strengthen the quality and efficiency of overseas terminals, and improve the income stream of overseas business.

Regarding comprehensive development, the Group will closely adapt to the changes in the global trade environment, and strengthen the construction of the whole supply chain system. Apart from improving quality of services to existing customers and increasing customer stickiness, the Group will actively seek overseas investment partners and enterprises to continuously advance the construction of key projects such as port-vicinity industrial parks, comprehensive parks, and free trade zones. The Group will also utilize new digital technology to seek breakthroughs in investment attraction and enhance the industrial agglomeration capacity and regional influence of the projects.

As for innovative development, the Group will focus on industrial transformation and upgrade driven by innovation and technology. Leveraging on the "Research Institute of CMPort for Technological Innovation and Development", the Group will develop the CMPort's ecosystem for technology and innovation, and generate innovative solutions with technology for ports to build the integrated platform for industry, education and research. Through "CMCore" platform, the Group will develop three major leading products for the industry, including Container Terminal Operation System (CTOS), Bulk Cargo Terminal Operation System (BTOS) and Logistic Park Operation System (LPOS), striving to intelligentise the operation within the terminals. The "CM ePort" platform will innovate the service models by improving the information service system and adopting the "Port + Internet" approach for the port, so as to explore and develop an open platform for intelligent ports.

In respect of capital operation, the Group constantly strives to optimise domestic and overseas asset structure to reduce investment risks. In line with the strategies of the Group and the directions of "innovation-driven endogenous growth" and "balanced development of businesses with light and heavy asset", the Group will strive to improve capital operation plans, asset allocation and endogenous growth in order to enhance shareholder returns.

In terms of operation management, the Group will continue to take the world's first-class standards as its benchmarks and improve the management system for various business lines to enhance overall operation and management. Focusing on the Group's strategies, the Group will continue to strengthen management and control optimisation for improvement of management efficiency. The Group will promote the implementation and application of its management system on the entire lifecycle for its assets and strengthen the control over major projects. By building the smart operation management system to improve management standards for operations, the Group will develop a world-class operation and management system that sustainably creates value, as well as a value-oriented management headquarters.

With regard to marketing and commerce, the Group will maintain the cooperation with major shipping companies and strengthen interaction with end-customers in order to enhance the direct control and influence to the sources of cargos. Meanwhile, in line with China's dual circulation model, the Group will further stabilise and develop the business in respect of the interconnected terminals in Northern and Southern China, and continue to expand new domestic and overseas shipping routes. The Group will enhance its core competitiveness in the regions and around the world via strengthening multi-dimensional cooperation within the industry.

In 2021, global economic and trade will face various challenges, including recurrence of COVID-19 pandemic, unstable political situations, and imbalance of regional recovery. However, as the accelerated vaccination process, the global economy and trade will gradually recover, which is expected to carry out opportunities for the steady growth of port operation in the second half of 2021. Meanwhile, the new digitalisation technology will also be a new driver for the Group to build world-class ports. The Group will proactively grasp the opportunities, and tap its potential through reform and innovation. Furthermore, the Group will constantly enhance its core capability and profitability to endeavor to maximise shareholders value as always and create value to benefit for all 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 2021.

CORPORATE GOVERNANCE

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

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

In the opinion of the 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 2021, except the following: -

In respect of Code Provision E.1.2 under the Corporate Governance Code. Mr. Deng Renjie, the Chairman of the Board, did not attend the annual general meeting of the Company held on 1 June 2021 due to business trip. Mr. Zheng Shaoping, the then Executive Director and Deputy General Manager of the Company, took chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, chairmen of the Audit and Remuneration Committees and other board members and the external auditor were present at the annual general meeting of the Company held on 1 June 2021 to answer shareholders' questions.

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

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

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

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE HKSE

The 2021 interim report will be despatched to shareholders and published on the website of the HKSE at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

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

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Deng Renjie, Mr. Liu Weiwu, Mr. Xiong Xianliang, Mr. Wang Xiufeng and Mr. Wang Zhixian 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.