



廈門國際港務股份有限公司
Xiamen International Port Co., Ltd*

Stock Code : 3378

Interim Report 2007



* For identification purpose only



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WARNINGS ASSOCIATED WITH THE FORWARD-LOOKING STATEMENTS

This report contains certain information that are forward-looking and/or not based on any historical data, often indicated by the use of words such as “anticipate,” “believe,” “intend,” “will likely result,” “expect,” “estimate,” “may,” “should,” “shall,” “will” or similar expressions. Readers of this report are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, whilst the Group believes that all the assumptions based on which such forward-looking statements are prepared are reasonable, any or all of the assumptions on which such statements are based could prove to be incorrect. Therefore, the forward-looking statements in this report should not be regarded as representations made by the Group as to its future performance, and the readers should not place undue reliance on such statements. The Group is not obligated to publicly update or revise any forward-looking statements set out in this report, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

ZHENG Yongen (*Chairman*)
CHEN Dingyu
FANG Yao
HUANG Zirong
HONG Lijuan

Non-executive Directors

FU Chengjing*
MIAO Luping
LIN Kaibiao
KE Dong

Independent Non-executive Directors

HUANG Shizhong*
ZHEN Hong*
HUI Wang Chuen

**Members of the Audit Committee*

SUPERVISORS

FANG Zuhui
LUO Jianzhong
WU Jianliang
TANG Jinmu
HE Shaoping

JOINT COMPANY SECRETARIES

HONG Lijuan
SUEN Pui Yee, Samantha¹

QUALIFIED ACCOUNTANT

ZHANG Yibing ACCA

AUTHORISED REPRESENTATIVES

FANG Yao
HONG Lijuan

COMPANY'S WEBSITE

<http://www.xipc.com.cn>

Note:

1. Mr. Ngai Wai Fung replaced Ms. Suen Pui Yee, Samantha as one of the joint company secretaries of the Company on 27 July 2007.

REGISTERED OFFICE

No. 127 Dongdu Road
Xiamen, Fujian, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

AUDITORS

International auditors:
PricewaterhouseCoopers
Certified Public Accountants

PRC auditors:
PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Limited

LEGAL ADVISERS

as to Hong Kong law:
Deacons

as to PRC law:
King & Wood

PRINCIPAL BANKERS

Industrial & Commercial Bank of China
China Construction Bank
Communications Bank of China
Bank of China
China Merchants Bank

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE ON MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3378

LISTING DATE

19 December 2005

FINANCIAL HIGHLIGHTS

Results for the six months ended 30 June 2007

	2007 RMB'000	2006 RMB'000	Changes
Revenue	1,053,888	760,903	38.5%
Operating profit	256,202	242,499	5.65%
Profit for the period	243,462	206,128	18.1%
Profit attributable to equity holders of the Company during the period	171,743	146,527	17.2%
Earnings per share for profit attributable to the equity holders of the Company – Basic and diluted (RMB cents)	6.30	5.38	17.1%



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**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF XIAMEN INTERNATIONAL PORT CO., LTD.**

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 5 to 32 which comprises the condensed consolidated balance sheet of Xiamen International Port Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 August 2007

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	<i>Note</i>	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	3,118,519	3,007,689
Lease prepayments	3	1,052,931	889,793
Intangible assets	3	33,264	26,016
Investments in associates		44,339	44,925
Available-for-sale financial assets		114,856	44,812
Bank deposits		28,944	7,809
Derivative financial instrument	6	1,484	3,053
Deferred income tax assets		45,814	32,126
Total non-current assets		4,440,151	4,056,223
Current assets			
Inventories		199,388	118,065
Accounts and notes receivable, net	5	564,114	448,342
Other receivables and prepayments		201,700	168,990
Term deposits with initial term of over three months		264,133	419,718
Restricted cash		40,936	41,241
Cash and cash equivalents		570,005	594,687
Total current assets		1,840,276	1,791,043
Total assets		6,280,427	5,847,266
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Capital	10	2,726,200	2,726,200
Reserves		630,089	585,444
Minority interests		837,610	806,127
Total equity		4,193,899	4,117,771

	<i>Note</i>	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	9	557,872	591,308
Early retirement benefit obligations		6,374	7,334
Deferred government grants and income		148,705	151,178
Deferred income tax liabilities		28,339	7,147
Total non-current liabilities		741,290	756,967
Current liabilities			
Accounts and notes payable	7	742,807	634,940
Other payables and accruals	8	437,082	264,798
Borrowings	9	121,275	5,944
Taxes payable		44,074	66,846
Total current liabilities		1,345,238	972,528
Total liabilities		2,086,528	1,729,495
Total equity and liabilities		6,280,427	5,847,266
Net current assets		495,038	818,515
Total assets less current liabilities		4,935,189	4,874,738

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Note	Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Revenue	11	1,053,888	760,903
Cost of sales		(735,925)	(458,838)
Gross profit		317,963	302,065
Other income		8,105	13,534
Other gains - net		7,397	10,562
Selling and marketing expenses		(10,407)	(8,024)
General and administrative expenses		(66,856)	(75,638)
Operating profit	12	256,202	242,499
Finance income	13	11,913	11,626
Finance costs	13	(7,888)	(5,491)
Operating profit after finance income and costs		260,227	248,634
Share of profits less losses of associates		1,816	2,784
Profit before income tax		262,043	251,418
Income tax expense	14	(18,581)	(45,290)
Profit for the period		243,462	206,128
Attributable to:			
Equity holders of the Company		171,743	146,527
Minority interests		71,719	59,601
		243,462	206,128
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic and diluted (in RMB cents)	16	6.30	5.38

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to the Company's equity holders				Minority interests RMB'000	Total equity RMB'000
	Capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2007	2,726,200	(32,350)	617,794	3,311,644	806,127	4,117,771
Fair value gain on available-for-sale financial assets, net of tax	-	50,105	-	50,105	-	50,105
Profit for the period	-	-	171,743	171,743	71,719	243,462
Profit appropriation	-	40,651	(40,651)	-	-	-
2006 final dividend declared (note 15)	-	-	(177,203)	(177,203)	-	(177,203)
Dividends to minority shareholders of subsidiaries	-	-	-	-	(40,236)	(40,236)
Balance at 30 June 2007	2,726,200	58,406	571,683	3,356,289	837,610	4,193,899
Balance at 1 January 2006	2,609,200	(153,951)	400,546	2,855,795	724,276	3,580,071
Fair value gain on available-for-sale financial assets, net of tax	-	27,753	-	27,753	22,587	50,340
Profit for the period	-	-	146,527	146,527	59,601	206,128
Disposal of interest in a subsidiary	-	-	-	-	(1,778)	(1,778)
Profit appropriation	-	17,384	(17,384)	-	-	-
Conversion of domestic shares into 11,700,000 H-shares (note 10(e))	(11,700)	-	-	(11,700)	-	(11,700)
Issuance of new H-shares (note 10(e))	128,700	55,028	-	183,728	-	183,728
Share issuance costs	-	(17,790)	-	(17,790)	-	(17,790)
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	(36,973)	(36,973)
Balance at 30 June 2006	2,726,200	(71,576)	529,689	3,184,313	767,713	3,952,026

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Cash flows from operating activities		
Net cash generated from/(used in) operating activities	238,780	(8,845)
Cash flows from investing activities		
Disposal of a subsidiary, net of cash disposed	–	(5,011)
Purchases of property, plant and equipment	(219,630)	(189,840)
Proceeds from disposals of property, plant and equipment	922	168
Lease prepayments or purchases of intangible assets	(164,452)	(112)
Proceeds from disposal of available-for-sale financial assets	–	476
Interest received	11,913	11,626
Dividends received	2,640	986
Net decrease/(increase) in term deposits with initial term of over three months	134,450	(225,300)
Net cash used in investing activities	(234,157)	(407,007)
Cash flows from financing activities		
Proceeds from borrowings	145,000	35,381
Repayments of borrowings	(61,238)	(174,803)
Net proceeds from issuance of H-shares	–	188,703
Special dividends paid to the parent company	–	(108,402)
Dividends paid to equity holders of the Company	(111,877)	–
Dividends paid to minority shareholders of subsidiaries	(1,190)	(31,365)
Net cash used in financing activities	(29,305)	(90,486)
Net decrease in cash and cash equivalents	(24,682)	(506,338)
Cash and cash equivalents at beginning of period	594,687	1,099,589
Cash and cash equivalents at end of period	570,005	593,251

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2007

1. General information

Xiamen International Port Co., Ltd. (the "Company") and its subsidiaries (together the "Group") is principally engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen, ancillary value-added port services (including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying), building materials manufacturing, processing and selling, trading of industrial products, and long-term investment holding.

The Company was established in the People's Republic of China (the "PRC") on 25 May 1998 as a wholly State-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital and reserves as at 30 September 2004 into 1,756,000,000 shares of RMB1.0 each. On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1.0 each by creation of 73,200,000 shares of RMB1.0 each which were issued to four additional investors. The Company's H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board") since 19 December 2005.

The directors regard Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding") as being the parent company of the Company.

These unaudited condensed consolidated interim financial information has been approved for issue by the Board of Directors on 27 August 2007.

2. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2006, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2006, except that the Group has adopted the following new standards, interpretations and amendments to standards (collectively the "new/revised HKFRSs") which are relevant to the Group's operations and are mandatory for the financial year ending 31 December 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new/revised HKFRSs in the current period did not have any significant effect on the unaudited condensed consolidated interim financial information or result in any significant change in the Group's significant accounting policies. The full disclosures as required by HKAS 1 (Amendment) and HKFRS 7 will be disclosed in the annual financial statements for the year ending 31 December 2007.

2. Basis of preparation and significant accounting policies (Continued)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and may be relevant to the Group's operation as follow:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 12:	Service Concession Arrangements	1 January 2008
HKFRS 8:	Operating Segments	1 January 2009
HKAS 23 (Revised):	Borrowing Costs	1 January 2009

The Group has not early adopted the above new standards, amendments and interpretations in the unaudited condensed consolidated interim financial information and will adopt these new standards, amendments and interpretations from 1 January 2008 or later periods. The Group is not yet in a position to state whether any substantial changes to Group's significant accounting policies and presentation of the financial statements will be resulted.

3. Capital expenditure

During the six months period, the capital expenditure of the Group is set out as follows:

	Property, plant and equipment	Lease prepayments	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book value as at 1 January 2007	3,007,689	889,793	26,016	3,923,498
Additions	190,126	173,431	8,657	372,214
Disposals	(751)	(137)	–	(888)
Depreciation and amortisation charge	(78,545)	(10,156)	(1,409)	(90,110)
Closing net book value as at 30 June 2007	3,118,519	1,052,931	33,264	4,204,714
Opening net book value as at 1 January 2006	2,786,489	849,689	26,759	3,662,937
Additions	168,202	–	112	168,314
Disposals	(114)	–	–	(114)
Depreciation and amortisation charge	(63,126)	(9,015)	(522)	(72,663)
Closing net book value as at 30 June 2006	2,891,451	840,674	26,349	3,758,474

4. Investments in jointly controlled entities

As at 30 June 2007, the Group had interests in two jointly controlled entities, namely Xiamen International Container Terminals Ltd. ("XICT") and Xiamen Gangtong Logistics Co., Ltd. ("Gangtong"). XICT is a joint venture established in PRC in which the Group holds 51% equity interest but without unilateral control. Gangtong was established in PRC and 50% of its equity interest is held by the Group.

The Group's share of assets and liabilities, revenue and results of the jointly controlled entities included in the condensed consolidated balance sheet and condensed consolidated income statement by proportional consolidation are as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Assets:		
Non-current assets	613,551	613,196
Current assets	143,220	125,342
	756,771	738,538
Liabilities:		
Current liabilities	95,312	49,924
Net assets	661,459	688,614
Six months ended 30 June		
	2007 RMB'000	2006 RMB'000
Revenue	107,397	88,480
Expenses	(43,117)	(37,524)
Profit before income tax	64,280	50,956
Income tax expense	(4,735)	(3,822)
Profit for the period	59,545	47,134

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves.

5. Accounts and notes receivable, net

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Accounts receivable	541,540	387,199
Less: provision for impairment	(18,014)	(13,122)
	523,526	374,077
Due from fellow subsidiaries	675	3,392
Notes receivable	39,913	70,873
	564,114	448,342

Majority of the Group's revenue is on open account terms and in accordance with the terms specified in the contracts governing the relevant transactions. A credit period, which may be extended for up to six months, may be granted to large or long-established customers with good repayment history. Revenue from small, new or short-term customers is normally expected to be settled shortly after provision of services or delivery of goods.

The amounts due from fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Notes receivable are notes of exchange with average maturity dates of within 6 months.

The carrying amounts of accounts and notes receivable approximate their fair values.

Aging analysis of the gross accounts and notes receivable of trading in nature (including amounts due from fellow subsidiaries) at respective balance sheet dates were as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Less than 6 months	519,740	401,645
6 months to 1 year	23,664	24,267
1 year to 2 years	15,562	19,443
2 years to 3 years	9,959	7,821
Over 3 years	13,203	8,288
	582,128	461,464
Less: provision for impairment	(18,014)	(13,122)
	564,114	448,342

6. Derivative financial instrument

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Interest rate swap contract	1,484	3,053

As at 30 June 2007, the Group had entered into an interest rate swap contract with a financial institution under which the Group agreed to swap the floating rate at London Inter-bank Offered Rate with the fixed rate of 5.2% (31 December 2006: 5.2%) per annum.

The notional principal amounts of the outstanding interest rate swap contract at 30 June 2007 amounted to USD12,503,000 (31 December 2006: USD12,694,000).

This derivative financial instrument does not qualify for hedge accounting.

7. Accounts and notes payable

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Accounts payable	451,892	378,531
Due to fellow subsidiaries	4,385	5,524
Notes payable	286,530	250,885
	742,807	634,940

Notes payable are notes of exchange with average maturity dates of within 6 months. The amounts due to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Aging analysis of accounts and notes payable of trading in nature (including amounts due to fellow subsidiaries) at respective balance sheet dates were as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Within 1 year	736,096	627,281
1 year to 2 years	1,653	6,126
2 years to 3 years	4,635	958
Over 3 years	423	575
	742,807	634,940

8. Other payables and accruals

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Due to the parent company	1,003	183
Due to fellow subsidiaries	4,652	3,767
Due to other related parties	29,611	17,578
Salary and welfare payables	72,134	90,602
Customer deposits	147,379	53,749
Payable for purchases of property, plant and equipment and construction-in-progress	12,114	23,982
Accrued expenses	13,298	14,493
Dividend payable to parent company	40	40
Dividend payable to other shareholders of the Company	65,326	–
Dividend payable to minority shareholders of subsidiaries	39,046	–
Other payables	52,479	60,404
	437,082	264,798

The amounts due to the parent company, fellow subsidiaries and other related parties are unsecured, interest free and have no fixed terms of repayment.

9. Borrowings

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
UNSECURED		
Non-current		
Long-term bank borrowings	557,872	591,308
Current		
Short-term bank borrowings	15,000	–
Long-term bank borrowings – current portion	106,275	5,944
	121,275	5,944
Total borrowings	679,147	597,252
Representing:		
– unguaranteed	583,933	498,130
– guaranteed	95,214	99,122
Total borrowings	679,147	597,252
Analysed as follows:		
– wholly repayable within five years	192,135	104,000
– not wholly repayable within five years	487,012	493,252
Total borrowings	679,147	597,252

As at 30 June 2007, bank borrowings of RMB95,214,000 is guaranteed by China Construction Bank (31 December 2006: RMB99,122,000).

9. Borrowings (Continued)

The maturities of the Group's total borrowings at respective balance sheet dates are as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Bank borrowings repayable:		
– within one year	121,275	5,944
– in the second year	80,333	106,255
– in the third to fifth year	21,379	26,659
– after the fifth year	456,160	458,394
	679,147	597,252

Movements of borrowings are as follows:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
At beginning of period	597,252	935,759
Additions	145,549	35,381
Repayments	(61,238)	(174,803)
Exchange gain	(2,416)	(2,290)
At end of period	679,147	794,047

10. Capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000 <i>note(d)</i>	Total RMB'000
As at 1 January 2007 and 30 June 2007	1,739,500	986,700	2,726,200
As at 1 January 2006	1,751,200	858,000	2,609,200
Issuance of new H-shares (<i>note (e)</i>)	–	117,000	117,000
Conversion of domestic shares to 11,700,000 H-shares (<i>note (e)</i>)	(11,700)	11,700	–
As at 30 June 2006	1,739,500	986,700	2,726,200

10. Capital (Continued)

- (a) The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. The registered and paid-in capital of the Company upon establishment was RMB500,000,000.
- (b) On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.
- (c) On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to four additional equity holders, namely, Xiamen International Airport Group Co., Ltd., Xiamen Road & Bridge Construction Group Co., Ltd. (formerly known as Road & Bridge Construction Investment Corporation of Xiamen), Xiamen Seashine Group Co., Ltd. (formerly known as Xiamen Commercial Group Co., Ltd.) and Xiamen State-owned Assets Investment Corporation, at RMB1.23 each for cash.
- (d) The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB 1 each were issued to the public by the way of global offering at offer price of HK\$1.38 each.
- (e) On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HK\$1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. Xiamen Port Holding has transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), and NCSSF entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.
- (f) The domestic shares and H-shares rank pari passu in all material respects except that the dividends in respect of H-shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

11. Segment information

(a) Primary reporting format – business segments

Prior to July 2006, the Group was primarily engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen, ancillary value-added port services (including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying) and building materials manufacturing, processing and selling, and long-term investment holding. In view of the growth in the Group's trading of industrial products (such as chemicals and steel) became more significant in the current period, the directors of the Company consider that it is more appropriate to present the trading of industrial products as a separate reportable business segment.

As a result, the business segment reporting includes the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) ancillary value-added port services; (4) manufacturing and selling of building materials; and (5) trading of industrial products.



11. Segment information *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

Certain comparative segment information has been extended or reclassified to conform with the current period's presentation.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed amongst those business segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets primarily comprise of property, plant and equipment, lease prepayments, intangible assets, inventories, receivables and mainly exclude deferred income tax assets, available-for-sale financial assets and long-term bank deposits.

Segment liabilities comprise of operating liabilities and exclude items such as deferred income tax liabilities.

Capital expenditure comprises of mainly additions to property, plant and equipment, lease prepayments and intangible assets.

11. Segment information (Continued)

(a) Primary reporting format – business segments (Continued)

The segment revenues, results and other segment information for the six months ended 30 June 2007 are as follows:

	Six months ended 30 June 2007					Total RMB'000
	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value- added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	
Total gross segment revenue	362,489	84,432	244,917	157,072	234,958	1,083,868
Inter-segment sales	-	-	(29,980)	-	-	(29,980)
Segment revenue -external sales	362,489	84,432	214,937	157,072	234,958	1,053,888
Segment results	193,157	19,488	29,353	11,403	2,801	256,202
Finance income						11,913
Finance costs						(7,888)
Operating profit after finance income and costs						260,227
Share of profits less losses of associates	-	-	1,635	181	-	1,816
Profit before income tax						262,043
Income tax expense						(18,581)
Profit for the period						243,462
Other information						
Depreciation	42,993	10,928	17,636	5,989	999	78,545
Amortisation	7,053	2,237	975	22	1,278	11,565
Provision for impairment of receivables	-	241	607	3,383	-	4,231
Capital expenditure	165,689	13,783	187,642	4,582	518	372,214

11. Segment information (Continued)

(a) Primary reporting format – business segments (Continued)

The segment revenues, results and other segment information for the six months ended 30 June 2006 are as follows:

	Six months ended 30 June 2006					Total RMB'000
	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value- added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	
Total gross segment revenue	309,023	80,089	211,113	128,136	52,845	781,206
Inter-segment sales	–	–	(20,303)	–	–	(20,303)
Segment revenue -external sales	309,023	80,089	190,810	128,136	52,845	760,903
Segment results	158,288	20,655	54,585	8,448	523	242,499
Finance income						11,626
Finance costs						(5,491)
Operating profit after finance income and costs						248,634
Share of profits less losses of associates	–	–	1,547	1,237	–	2,784
Profit before income tax						251,418
Income tax expense						(45,290)
Profit for the period						206,128
Other information						
Depreciation	32,255	10,577	15,103	5,050	141	63,126
Amortisation	5,607	2,237	589	20	1,084	9,537
Provision for/(reversal of) impairment of receivables	(448)	1,049	70	189	–	860
Capital expenditure	113,261	6,000	40,733	8,320	–	168,314

11. Segment information (Continued)

(a) Primary reporting format – business segments (Continued)

The segment assets and liabilities as at respective balance sheet dates are as follows:

	Container loading and unloading and storage business RMB'000	Bulk/ general cargo loading and unloading business RMB'000	Ancillary value- added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading of industrial products RMB'000	Total RMB'000
As at 30 June 2007						
Segment assets	3,526,422	433,481	1,539,825	245,692	301,054	6,046,474
Associates	-	-	33,209	11,130	-	44,339
						6,090,813
Unallocated assets						189,614
Total assets						6,280,427
Segment liabilities	862,597	21,202	736,814	50,085	308,983	1,979,681
Unallocated liabilities						106,847
Total liabilities						2,086,528
As at 31 December 2006						
Segment assets	3,576,374	417,182	1,248,503	232,280	243,255	5,717,594
Associates	-	-	33,976	10,949	-	44,925
						5,762,519
Unallocated assets						84,747
Total assets						5,847,266
Segment liabilities	842,456	17,321	420,575	135,845	215,549	1,631,746
Unallocated liabilities						97,749
Total liabilities						1,729,495

11. Segment information (Continued)

(b) Secondary reporting format – geographical segments

As all of the Group's activities are conducted in the PRC, no analysis by geographical segment is presented as virtually all of the Group's revenue and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

12. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Crediting:		
Dividend income	2,640	660
Gain on disposal of property, plant and equipment	30	54
Fair value (loss)/gain on a derivative financial instrument	(1,569)	4,797
Subsidy income	–	11,300
Rental income	5,465	1,574
Charging:		
Auditors' remuneration	1,816	1,874
Amortisation of		
– lease prepayments	10,156	9,015
– intangible assets	1,409	522
Depreciation of property, plant and equipment	78,545	63,126
Repairs and maintenance	10,920	7,734
Operating lease rental in respect of property, plant and equipment	10,640	12,368
Cost of inventories consumed	397,324	197,643
Provision for impairment of receivables	4,231	860

13. Finance income and costs

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Interest on bank borrowings	(20,973)	(21,427)
Less: amounts capitalised	10,654	13,598
	(10,319)	(7,829)
Net foreign exchange gain	2,431	2,338
Finance costs, net	(7,888)	(5,491)
Finance income – interest income	11,913	11,626
Finance income, net	4,025	6,135

The weighted average interest rates on capitalised borrowings for the six months ended 30 June 2007 was 6.156% (2006: 5.43%) per annum.

14. Taxation

(a) Income tax expense

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
PRC current income tax	30,848	44,009
Deferred income tax (credit)/charge	(12,267)	1,281
	18,581	45,290

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the period (2006: Nil).

Provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 15% (2006: 15%) of the assessable income of each of the companies comprising the Group during the period as determined in accordance with the relevant PRC income tax rules and regulations except for XICT and the Company itself.

As approved by the relevant tax authorities, XICT is entitled to a five-year exemption from income tax followed by a 50% reduction in income tax for subsequent five years, commencing from the first cumulative profit-making year. XICT's first cumulative profit-making year was 2001. Accordingly, the applicable income tax rate for XICT for the six months ended 30 June 2007 was 7.5% (2006: 7.5%).

As approved by the relevant tax authorities, the Company is entitled to a five-year exemption from income tax followed by a 50% reduction in income tax for subsequent five years, commencing from 2007. Prior to 2007, the Company provided PRC enterprise income tax at the income tax rate of 15%.

14. Taxation (Continued)

(a) **Income tax expense (Continued)**

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying amounts of deferred income tax assets and liabilities have been increased by RMB14,697,000 and RMB 4,017,000 respectively as at 30 June 2007, with RMB13,106,600 credited to condensed consolidated income statement and RMB2,426,600 charged directly against equity.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

(b) **Business tax ("BT") and related taxes**

The companies comprising the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 4% of BT payable, respectively.

(c) **Value-added tax ("VAT") and related taxes**

Certain subsidiaries of the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The relevant subsidiaries are also subject to CCT and ES based on 7% and 4% of net VAT payable, respectively.

15. Dividend

- (a) At a meeting held on 10 April 2007, the directors proposed a final dividend of RMB6.5 cents per share, totalling RMB177,203,000, for the year ended 31 December 2006, which was subsequently approved at the annual general meeting on 8 June 2007 (the "2006 Final Dividend"). The 2006 Final Dividend has been reflected as an appropriation of retained earnings for the six months ended 30 June 2007.
- (b) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

16. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of the Company's shares in issue during the period.

	Six months ended 30 June	
	2007	2006
Profit attributable to the equity holders of the Company	171,743,000	146,527,000
Weighted average number of the Company's shares in issue	2,726,200,000	2,724,250,000
Basic earnings per share (RMB cents)	6.30	5.38

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive shares.

17. Capital commitments

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Purchases of property, plant and equipment contracted but not provided for:		
– the Group	267,905	372,675
– a jointly controlled entity	23,148	25,729
	291,053	398,404

Capital commitments as at 30 June 2007 represent mainly the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machinery, acquisitions of vessels and renovation of buildings. These commitments were entered into by the Group with its suppliers as at 30 June 2007 and such capital expenditure had not been incurred as at that date.



18. Contingent liabilities

As of 30 June 2007 and 31 December 2006, the Group has no significant contingent liabilities.

19. Significant related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Company is controlled by Xiamen Port Holding, the parent company, which is in turn subject to the control of the PRC government.

In accordance with HKAS 24 “Related Party Disclosure”, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (“other state-owned enterprises”). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, the directors believe that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the period and balances with related parties as at 30 June 2007.

19. Significant related party transactions (Continued)

(a) During the period, the Group had the following significant transactions with related parties.

		Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Transaction with Finance Bureau of Xiamen			
Other income			
Subsidy income	(i)	–	11,000
Transactions with the parent company			
Revenue			
Railway maintenance services fee	(ii)	540	540
Electrical equipment maintenance	(iii)	1,709	792
Expense			
Operating lease in respect of land and office premises	(iv)	1,827	4,603
Comprehensive services	(v)	10,753	9,785
Transactions with fellow subsidiaries			
Revenue			
Electrical equipment maintenance	(iii)	–	5
Expense			
Office and property management	(vi)	2,520	3,052
Operating lease in respect of land and office premises	(iv)	1,515	855
Labour services	(vii)	6,550	9,768
Other			
Purchase of property, plant and equipment	(viii)	–	3,876
Construction project management	(ix)	–	5,953
Transactions with other state-owned enterprises			
Revenue			
Electrical equipment maintenance	(iii)	1,978	1,844
Loading and unloading services rendered	(x)	93,516	108,022
Port ancillary services rendered	(x)	16,769	15,231
Sales of building materials	(x)	6,287	26,663
Interest income		11,913	11,626
Expense			
Purchase of goods and raw materials	(xi)	24,022	22,905
Fuel charges	(xi)	39,629	42,250
Interest expenses paid to state-owned banks	(xii)	18,457	18,612
Other			
Purchase of property, plant and equipment	(xiii)	49,173	93,099
Payment of lease prepayments	(xiv)	117,632	–

19. Significant related party transactions (Continued)

- (i) Xiamen Development Co., Ltd. (“XPD”), a listed subsidiary of the Group, is entitled to annual subsidy amounting to RMB11,000,000 from Finance Bureau of Xiamen for 5 years commencing from 2004 pursuant to Xia Cai Qi [2004] Document No 80. No subsidy income has been received and accounted for during the current period.
- (ii) The railway maintenance service was provided by XPD to Xiamen Port Holding in accordance with the railway concession agreement. The railway line is specialised in transportation of containers and cargos from Dongdu terminal to the city’s railway station and provides freight forwarding services for container and cargos handled at Dongdu terminal. The maintenance services fee was charged by XPD at a fixed rate of RMB1,080,000 per year.
- (iii) Xiamen Port Power Supply Co., Ltd. provided electrical equipment maintenance services for the relevant facilities and devices for Xiamen Port Holding and fellow subsidiaries and other state-owned enterprises. The transactions was conducted in accordance with agreement entered into with the related parties.
- (iv) Operating lease for land and office premises was determined based on the terms stipulated in a lease agreement entered into between the parties involved.
- (v) The fee for the comprehensive services provided by Xiamen Port Holding to the Group was determined based on the terms stipulated in the comprehensive services agreement dated 1 August 2004.
- (vi) Represented the management service fees paid by the Group to Xiamen Port Property Management Co., Ltd. for its provision of office and property management services in connection with office premises occupied by the Group.
- (vii) The related labour services was provided by Xiamen Port Labour Services Co., Ltd. and Xiamen Port Hailongchang International Freight Co., Ltd. to the Group. The terms and condition are stipulated in Master Labour Service Agreement entered into between those parties involved.
- (viii) The purchase of property, plant and equipment in the prior period represented the expenditure to Xiamen Port Engineering Co., Ltd. for berth construction services, building construction services and other related port engineering services. Charges for those services are determined according to: (a) state-prescribed price; (b) where there was no state-prescribed price, the comparable local market price; (c) where there was no comparable local market price, the rates negotiated by the parties drawing reference to the customary charge rates set by Xiamen Port Holding Group and applied to third parties; and (d) where the project was subject to public bidding, the pricing principle established during the bidding.
- (ix) The project management service was provided by Xiamen Port Development and Construction Co., Ltd, for project management on the construction of berths or other port-related facilities and infrastructure to the subsidiaries of the Group. The price was mutually agreed by the parties involved.
- (x) The loading and unloading services rendered, port ancillary services rendered, sales of building materials to the related parties and other state-owned enterprises were carried out on terms that are mutually agreed among the contracted parties.

19. Significant related party transactions *(Continued)*

- (xi) The consideration paid and the terms were mutually agreed by the parties involved.
- (xii) Interest was charged for loans with state-owned banks in accordance with the terms set out in the respective agreements or as mutually agreed with the parties involved.
- (xiii) The purchase of property, plant and equipment from other state-owned enterprises, mainly consisted of buildings, port infrastructure, storage infrastructure, loading and other machinery, vehicles, vessels, furniture, fittings and equipments and construction-in-progress, was conducted at terms that were mutually agreed by the parties involved.
- (xiv) In relation to the Xiamen Xiangyu Free Trade Logistic Park Zone project (the "Project"), XPD entered into a land grant contract with Xiamen Land Bureau and Xiangyu Administrative Committee on 23 March 2007 (the "Contract"). Pursuant to the Contract, Xiamen Land Bureau granted the land use right of with a total area of 262,210.835 square meters (the "Land Use Right") to XPD at a consideration of approximately RMB214,488,000. After netting off the compensation received from Xiangyu Administrative Committee of RMB96,856,000 for the resumption of the land use rights in connection with the Project, the net amount paid by the Group for the acquisition of the Land Use Right was RMB117,632,000.

19. Significant related party transactions (Continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Balances with the parent company		
Other receivables	92	104
Other payable and accruals	1,003	183
Dividend payable	40	40
Balances with fellow subsidiaries		
Accounts receivable	675	3,392
Other receivables	742	–
Accounts payable	4,385	5,524
Other payable and accruals	4,652	3,767
Balances with other related parties		
Other payable and accruals	94,937	17,578
Balances with other state-owned enterprises		
Restricted cash	40,936	41,241
Bank deposits	28,944	7,809
Term deposits with initial term of over three months	264,133	419,718
Cash and cash equivalents	570,005	594,687
Accounts receivable	31,253	53,452
Other receivables and prepayments	9,450	7,657
Accounts payable	6,330	6,066
Other payable and accruals	6,101	7,182
Borrowings	583,933	498,130

19. Significant related party transactions *(Continued)*

(c) Key management compensation:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,404	1,348
Contributions to pension plans	81	79
Discretionary bonuses	120	–
	1,605	1,427



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING RESULTS

In the first half of 2007, in the face of escalating market competition in the port business in Xiamen, the Group undertook pro-active marketing strategies to fully capitalise on the strengths of its diversified services and its position in the value chain to reinforce the marketing synergies among subsidiaries to bolster its competitiveness in attracting more routes and cargo business. Besides, efforts were stepped up in market development to explore new sources for cargo growth and expand the coverage of the port services of the Group, with the focus on fostering the sea-rail transshipment business and bonded logistics business. The Group also continued to optimise and streamline its production workflow, enhance the information management standards of its port business and improve the loading and unloading efficiency at its terminals and depots. The above mentioned efforts have enabled the Group to maintain steady growth in its operating revenue with a sound and healthy financial condition and further enhancement in market competitive edge.

For the six months ended 30 June 2007, the Group achieved revenue of RMB1,053,888,000, representing a 38.5% increase over RMB760,903,000 in the corresponding period in 2006. Profit attributable to equity holders of the Company amounted to RMB171,743,000, representing a 17.2% increase over RMB146,527,000 in the corresponding period in 2006. For the six months ended 30 June 2007, the earnings per share were RMB6.30 cents (2006: RMB5.38 cents).

BUSINESS REVIEW

The Group operates its port terminal business at 15 berths in the Dongdu and Haicang port areas in Xiamen (excluding berth Number 1 of the Haicang port area which has not commenced operations). The port business of the Group mainly includes container port business, bulk/general cargo port business and ancillary value-added port services. In addition, the Group is also engaged in the manufacturing, processing and selling of building materials.

From year 2006, the Group gradually started to involve in industrial products trading business (such as chemicals and steel) in order to have synergies to improve its port related business. During the six months ended 30 June 2007, there has seen a significant expansion in the trading business.

Container Port Business

The Group's container throughput sustained its stable growth during the first half of 2007 and achieved an absolutely dominating position in the Xiamen port market. During the period under review, the SPARCS system (a container terminal operation and management system) in the Haitian terminal made further way in increasing its operating efficiency. Since Hairun terminal's commencement of its operation in mid 2006, the Hairun terminal has been gradually progressing to achieve a stable growth. Details of the Group's container throughput are as follows:

Container throughput	Six months ended 30 June		
	2007 (TEUs)	2006 (TEUs)	
The Haitian terminal, Hairun terminal and Dongdu Branch of the Group (international and domestic trade)	975,356	880,929	+10.72%
XICT (international trade)	635,792	576,621	+10.26%
Total throughput	1,611,148	1,457,550	+10.54%

* XICT is a jointly controlled entity between Xiamen Haicang Port Co., Ltd ("Xiamen Haicang"), one of the Company's subsidiaries, and Hutchison Ports Xiamen Limited. Through Xiamen Haicang, the Company holds a 51% interest in XICT. The financial results of XICT have been proportionately consolidated in the Group's financial statements. On the other hand, in terms of the operational statistics, such as those in relation to TEUs and cargo throughput, the Group has included 100% of XICT's figures.

Bulk/General Cargo Port Businesses

Bulk cargo and most of the general cargo of the Group, principally stone products, steel and grains (soybean) are primarily handled centrally through the Dongdu terminal. In the first half of 2007, in terms of bulk/general cargo throughput, the Group ranked first among all port terminal operators in Xiamen, with an overall growth in throughput as follows:

Bulk/general cargo throughput	Six months ended 30 June		
	2007 (tonnes)	2006 (tonnes)	
Dongdu Branch	2,116,544	2,071,089	+2.19%
XICT	123,070	105,760	+16.37%
Total throughput	2,239,614	2,176,849	+2.88%



Compared with the same period in 2006, there was a relatively modest increase in the bulk/general cargo port business of the Group. XICT had positioned itself in the market as a professional container terminal and thus intentionally controlled the size of its bulk/general cargo business (the throughput of which only increased by 17,000 tonnes year on year). Apart from this, the Dongdu Branch only recorded a slight growth in its terminal business, mainly due to the lower-than-expected growth in certain cargo sources.

In response to the above circumstances, the Group has adopted measures to further enhance the loading and unloading efficiency of the Dongdu terminal and improve operational control in order to maintain the service standard. Meanwhile, by way of equipment and facilities leasing, the operating conditions of the terminal have been effectively enhanced. Currently, six new grain warehouses (silos) are being built in the Dongdu terminal for the expansion of the business of the loading, unloading and warehousing of grains.

Ancillary Value-added Port Services

The Group is proactive in developing the port-related ancillary value-added services to achieve mutual growth with its terminal loading and unloading business. On the one hand, the terminal loading and unloading business can drive the development of the shipping agency, tallying, tugboat berthing and unberthing and port-related logistic services. On the other hand, such ancillary value-added services can effectively support the terminal loading and unloading business because the Group is striving to deliver one-stop, diversified and integrated port services to its customers. At the same time, the Group is allocating resources in an effective manner to develop its sea-rail transshipment business and bonded logistics business as its new growth centres, so as to ensure sufficient cargo shipments for its port loading and unloading business. In the first half of 2007, the Group continued to promote the integration of its sea-rail transshipment cargo network resources. Under the leadership and support of the municipal government, the Group organised a number of sea-rail transshipment cargo business forums at Nanchang and Ganzhou in Jiangxi. During the period, the Xiamen-Jiangxi container route was officially opened to realise the mass-scale, regular and rapid sea-rail transshipments between the two places. Besides, the Xiamen Bonded Logistics Park, which was invested in and operated by the Group, was on a steady growth track due to the high efficiency, simplified procedures and relatively low cost in customs clearing, as well as the existence of certain port functions.

Trading Business of Industrial Products

The Group is making effort to diversify its business to have a synergic effort for the development of port related business. With the expansion of sales team and effective marketing, the trading business of industrial products has a significant growth in the first half of year 2007. The trading business contributes a considerable portion of the growth in the Group's revenue, albeit the fact that the trading business was with a relatively thin margin as compared with other port related business.

FINANCIAL REVIEW

Revenue

Revenue from the Group increased by 38.5% from RMB760,903,000 for the six months ended 30 June 2006 to RMB1,053,888,000 for the six months ended 30 June 2007. The revenue from the Group's container loading and unloading and storage businesses, bulk/general cargo loading and unloading and storage businesses, ancillary value-added port service, manufacturing and selling of building materials and the trading business have all recorded increases.

Revenue from the Group's container loading and unloading and storage businesses increased by approximately 17.3% from RMB309,023,000 for the six months ended 30 June 2006 to RMB362,489,000 for the six months ended 30 June 2007. This increase was primarily due to the increase in container throughput handled by the Group.

Revenue from the Group's bulk/general cargo loading and unloading business, increased by 5.4% from RMB80,089,000 for the six months ended 30 June 2006 to RMB84,432,000 for the six months ended 30 June 2007, mainly due to the growth in the throughput of bulk/general cargo.

Revenue from the Group's ancillary value-added port services increased by 12.6% from RMB190,810,000 for the six months ended 30 June 2006 to RMB214,937,000 for the six months ended 30 June 2007. Such increase was primarily due to the increase in container and bulk/general cargo throughput handled by the Group, which in turns led to a corresponding increase in the demand for the Group's ancillary value-added port services.

Revenue from the Group's manufacturing and selling of building materials increased by 22.6% from RMB128,136,000 for six months ended 30 June 2006 to RMB157,072,000 for the six months ended 30 June 2007. Such increase was primarily contributed by the higher overall market demand on concrete in Xiamen, which was due to the increased investment in the construction of infrastructure facilities during the six months ended 30 June 2007 as compared to the six months ended 30 June of 2006.

Revenue from the Group's trading of industrial products increased by 344.6% from RMB52,845,000 for the six months ended 30 June 2006 to RMB234,958,000 for the six months ended 30 June 2007. Such increase was primarily contributed by the rapid growth in trading business of steel and chemical products. As the revenue from this business has been growing significantly since 2007, the Company considers that it is more appropriate to manage and report the trading business as a separate business segment.

Cost of Sales

Cost of sales of the Group increased by 60.4% from RMB458,838,000 for the six months ended 30 June 2006 to RMB735,925,000 for the six months ended 30 June 2007. Such increase was primarily due to the cost of products sold under the trading business, increases in costs of inventories and fuel used, employee benefit expenses and depreciation and amortisation charges.

- Cost of inventories and fuel used increased by 12.8% from RMB143,807,000 for the six months ended 30 June 2006 to RMB162,231,000 for the six months ended 30 June 2007. Such increase was mainly due to the increase in consumption of raw materials and consumables used in production of concrete for the business of manufacturing and selling of building materials.
- Employee benefit expenses increased by 35.5% from RMB94,985,000 for the six months ended 30 June 2006 to RMB128,715,000 for the six months ended 30 June 2007. Such increase was mainly due to the corresponding increase in employment benefit expenses as a result of the general expansion of the Group's overall business volume and the increase in the headcount during the six months ended 30 June 2007.

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- Depreciation and amortisation charges increased by 18.2% from RMB69,317,000 for the six months ended 30 June 2006 to RMB81,911,000 for the six months ended 30 June 2007. Such increase was mainly due to the commencement of operation of berths No. 4 and 5 of the Haicang port area in the second half of 2006, as well as the acquisition of the land in the Group's Bonded Logistics Park.
 - The cost of goods sold under the trading business increased by 338.9% from RMB52,322,000 for the six months ended 30 June 2006 to RMB229,651,000 for the six months ended 30 June 2007. Such increase was mainly due to the rapid growth in the trading business of steel and chemical products and the increases in materials costs.

Gross Margin

The Group's gross margin dropped by 24.0% from 39.7% for the six months ended 30 June 2006 to 30.2% for the six months ended 30 June 2007. This is mainly due to the dilution by the low gross margin of trading business.

Income Tax Expense

The Group's income tax expense decreased by 59.0% from RMB45,290,000 for the six months ended 30 June 2006 to RMB18,581,000 for the six months ended 30 June 2007. Such decrease was primarily due to the income tax exemption benefit of the Company became effective this year and the increase in staff allowance deductible from the income tax payable by the Group. In addition, the Group has assessed the impact on deferred income tax assets and liabilities in respect of the new CIT Law which is effective from 1 January 2008. Under the new CIT Law, the CIT rate applicable to the Group would be generally increased from 15% to 25%. The effect of change in CIT rate on deferred income tax assets and liabilities which has been credited to EIT expenses amounted to RMB13,106,600.

Liquidity, Financial Resources and Capital Structure

The Group mainly used its cash for operating costs, construction of terminals and berths and loans repayment. As at 30 June 2007, the Group's cash and cash equivalents amounted to RMB570,005,000 (31 December 2006: RMB594,687,000).

As compared to the same period of last year, the net cash from operating activities changed from net operating cash outflow of RMB8,845,000 to net operating cash inflow of RMB238,780,000 for the six months ended 30 June 2007. The net cash inflow of the current period was mainly contributed by the increase in cash flows from the sale of products and the provisions of services. In addition, the net cash outflow of the corresponding period in 2006 was mainly contributed by the payment of the revenue of state-owned shares reduction of approximately RMB119,512,000 to the National Council for Social Security Fund (the "NCFSS").

Borrowings of the Group increased by 13.7% from RMB597,252,000 as at 31 December 2006 to RMB679,147,000 on 30 June 2007, mainly due to the loan borrowed for the acquisition of the land in the Bonded Logistics Park.

As at 30 June 2007, the Group's guaranteed loans amounted to RMB95,214,000, which were guaranteed by China Construction Bank. The entrusted loan provided by Huayang Electric Power Co., Ltd. through the Zhangzhou Branch of China Construction Bank was RMB48,000,000. The Group's net debt to equity ratio was 2.6% as at 30 June 2007, compared with 0.06% as at 31 December 2006. The rise in net debt to equity ratio was primarily due to the increase in borrowings during the six months ended 30 June 2007.

Other Financial Information

As at 30 June 2007, the non-current portion of the Group's available-for-sale financial assets increased from RMB44,812,000 to RMB114,856,000 as compared to 31 December 2006. The significant increase was mainly contributed by the higher fair value of shares of Sansteel MinGuang Co., Ltd, Fujian and Bank of Communications Co., Ltd, the stock investments held by the Group.

As at 30 June 2007, other payables and accruals of the Group were RMB437,082,000, compared with RMB264,798,000 as at 31 December 2006. The increase was mainly contributed by the increase in dividends payable to other shareholders of the Company of RMB65,326,000, the increase in dividends payable to the minority shareholders of the subsidiaries of the Company of RMB39,046,000 and the increase in prepayments from customers of RMB93,630,000.

Capital Expenditure Commitments

As at 30 June 2007, the Group's capital expenditure commitments amounted to RMB291,053,000, primarily consisting of construction expenditure of berth No. 1, 4 and 5 in the Haicang port area.

Exchange Rate and Interest Rate Risk

The Group's bank borrowings are denominated in both RMB and USD. To the extent that RMB appreciates (or depreciates) against USD, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. Furthermore, since only a minor part of the business revenue is settled in foreign currencies, the fluctuation in RMB exchange rate has no material effect on the business operations of the Group. The Group believes that the appreciation of RMB had no material effect on the operating results and financial position of the Group as at 30 June 2007.

Except for forward exchange contracts signed under certain restrictions with the state approved banks, the Group has not used any other means to hedge its foreign currency exposure. Nevertheless, the foreign currency exposure is still monitored by the Directors, who will consider hedging any significant foreign currency exposure should the need arises.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets other than bank balances and cash. The borrowings at fixed rates expose the Group to fair value interest rate risk. As at 30 June 2007, the fair value of the derivative financial instrument amounted to approximately RMB1,484,000, the unsettled principal of the interest rate swap contract amounted to approximately USD12,503,000, equivalent to approximately RMB95,214,000.

Contingent Liabilities

As at 30 June 2007, the Group has no significant contingent liabilities.

Subsequent Events

On 15 July 2007, 廈門市路橋建材有限公司 (Xiamen Road & Bridge Building Materials Corporation Ltd) (“Xiamen Road & Bridge Building Materials”), a subsidiary of the Group, entered into an agreement with 廈門路橋建設集團有限公司 (Xiamen Road & Bridge Construction Group Co., Ltd) (“Xiamen Road & Bridge Construction Group”), pursuant to which it has been agreed that the 15% equity interest in 廈門市路橋混凝土工程有限公司 (Xiamen Road and Bridge Concrete Engineering Corporation Ltd) held by Xiamen Road & Bridge Building Materials will be transferred to Xiamen Road & Bridge Construction Group at a consideration of RMB15,267,825 (based on its assessment value). The transaction was approved by the State-Owned Assets Supervision and Administration Commission of Xiamen Municipal Government on 24 July 2007.

This transaction does not constitute a discloseable transaction.

Employees

As at 30 June 2007, the Group had 5,466 employees, an increase of 681 employees over 31 December 2006. Employee remunerations are determined by their performance and experience, as well as the prevailing practices of the industry. Remuneration policy is reviewed on a regular basis. Bonus and rewards may be offered to employees according to the annual operating results and assessments of their performance. In addition, the payment of rewards is an impetus to motivate each employee.

Option and Right of First Refusal to the Songyu Port Phase I Terminal Construction

On 20 April 2007, the Songyu Port Phase I Terminal Construction, which was invested in by 廈門嵩嶼集裝箱碼頭有限公司 (Xiamen Songyu Container Terminal Co., Ltd) (“Songyu Company”), entered the trial operation phase. Songyu Company is a joint venture established by Xiamen Port Holding Group Co., Ltd (“Xiamen Port Holding”) and APM Terminals Xiamen Company Limited. Pursuant to the Memorandum in Relation to the Songyu Port Phase I Terminal Construction dated 19 April 2007 signed between the Company and Xiamen Port Holding, it has been agreed that: following the passing of the completion inspection of the Songyu Port Phase I Terminal Construction, the Company may, depending on the management and operational needs at the time, determine to exercise the option to acquire the equity interests currently held by Xiamen Port Holding in Songyu Company in accordance with the terms of the option and right of first refusal agreement entered into between the Company and Xiamen Port Holding on 2 December 2005.

Haicang Port Berth Number 1

On 15 May 2007, pursuant to the Xiamen Haicang International Container Terminals Limited Joint Venture Contract dated 3 May 2007 signed between the Company and Hutchison Ports Haicang Limited, Xiamen Haicang International Container Terminals Limited was established by way of joint venture between the two parties to jointly operate the Haicang Port Berth Number 1. The registered capital of the joint venture company is RMB454,715,000, of which 51% is held by the Company. Currently, the two parties are completing the procedures relating to capital contribution. Upon completion of such procedures, the berth will commence trial operation as soon as possible.

OUTLOOK AND PROSPECTS

During the year, in line with the relevant PRC Government policy to narrow the growth of its trade surplus and improve its balance of payments, the PRC Government has further tightened its austerity measures and adjusted its export tax rebate policy on certain goods. Given such a background, as well as the appreciation of Renminbi and increases in international and technical trade barriers, the growth of exports from China is expected to slow down in 2007. This will, in turn, affect to a certain extent the foreign trade and growth momentum of Fujian and Xiamen. However, on the whole, the PRC's aggregate foreign trade is likely to continue to grow, which will provide a relatively positive environment for the development of port business.

In the face of the opportunities as well as challenges ahead, in the second half of the year, the Group will remain focused, as always, on the interests of its shareholders, and strengthen its marketing effort and improve its mode of operation and solicitation for shipping lines so as to optimise its customer base and attract more shipping lines and cargo owners with its high quality and highly efficient services. It will also enhance its corporate governance through refining its corporate management control system and exercising strict control on its operating costs in order to raise its corporate management standards. In particular, the Group will focus on the following aspects:

- To pro-actively implement marketing strategies to develop a high quality customer base. The Group will fully capitalise on its scale of economies and position on the value chain with its diversified and integrated port services to develop a high quality customer base through the provision of high quality one-stop services. It will seek to increase the proportion of regular cargo sources and large-scale customers to secure a more stable source of revenue.
- To define market segments in a scientific manner so as to carry out differentiated marketing. While striving to reinforce the business relationships with its business partners, the Group will also actively explore business potential with existing customers, particularly focusing on enhancing its communications and scope of cooperation with large-scale shipping lines and cargo-owners, in order to secure more new routes, higher shipment frequency and new cargo sources for the terminals operated by the Group.
- To effectively allocate resources to explore emerging markets and develop new drivers for business growth and new sources of revenues, in addition to seeking to expand its core businesses. The focus is on the development of the businesses of sea-rail transshipments and bonded logistics so as to generate more cargo business from a broader customer base.
- To take full advantage of the preferential taxation treatment (5 years tax exemption and five years 50% tax reduction) granted to the Company to strategically implement internal asset restructuring of the Group and optimise its resource allocation in order to further reduce its tax burden.
- To actively follow the progress on the trial operation and completion inspection of Songyu Port Phase I Terminal Construction, as well as the capital contribution status of Songyu Company in accordance with the Option Agreement and the Memorandum in Relation to the Songyu Port Phase I Terminal Construction, so that the board of directors of the Company can timely initiate corresponding strategies in light of the management and operational needs of the project.

- To further enhance the computerisation of financial management and speed up the application of financial and budget management software, in order to exercise strict control on production costs and management expenses, and improve the financial control system.
- To expedite construction of the information system. Efforts will be made to further improve the brief reporting system, the financial reporting system and the safety information management system in line with the requirements for business development of the Group. Development of the equipment management system will also be accelerated to optimise the Company's internal management and control system so as to enhance work efficiency.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the relevant notice issued by Xiamen State-Owned Assets Supervision and Administration Commission, the 18,300,000 shares previously held by 廈門國有資產投資公司 (Xiamen State-Owned Assets Investment Corporation) was transferred to 廈門輕工集團有限公司 (Xiamen Light Industry Group Co., Ltd), and another domestic shareholder of the Company, 廈門市路橋建設投資總公司 (Road & Bridge Construction Investment Corporation of Xiamen) was also renamed as 廈門路橋建設集團有限公司 (Xiamen Road & Bridge Construction Group Co., Ltd). To reflect the above changes in domestic shareholders truthfully, at the 2006 Annual General Meeting of the Company held on 8 June 2007, it was approved that the following amendments be made to the Articles of Association of the Company:

- (i) Clauses 2 and 3 of Article 1 originally read:

“The Company was established on 3 March 2005 by way of promotion pursuant to approval under the 《關於同意廈門港務集團有限公司整體改制變更為廈門國際港務股份有限公司的批復》 (the Reply Concerning the Proposal for Conversion of Xiamen Port (Group) Co. Ltd into Xiamen International Port Co., Ltd) (Xia Fu [2005] No. 32) issued by the Xiamen Municipal Government. Its business licence (Registration No. 3502001001982) was also issued on the same day after registration with the Xiamen Administration Bureau for Industry and Commerce. Pursuant to the approval under the 《關於同意廈門國際港務股份有限公司擴大股本和調整結構的批復》 (the Reply Concerning the Consent on the Increase of Share Capital and Change of Capital Structure of Xiamen International Port Co., Ltd) (Xia Fu [2005] No. 118) issued by the Xiamen Municipal Government, four additional investors have invested in the Company, including 廈門國際航空港集團有限公司 (Xiamen International Airport Group Co., Ltd), 廈門市路橋建設投資總公司 (Road & Bridge Construction Investment Corporation of Xiamen), 廈門夏商集團有限公司 (Xiamen Seashine Group Co., Ltd) and 廈門國有資產投資公司 (Xiamen State-Owned Assets Investment Corporation). The increase in capital was registered with the Xiamen Administration Bureau for Industry and Commerce on 2 June 2005. Besides, the Company has been issued a new business licence.

The Promoter of the Company is 廈門港務控股集團有限公司 (Xiamen Port Holding Group Co., Ltd) (holding 1,666,300,000 Shares);

Other shareholders of the Company are: 廈門國際航空港集團有限公司 (Xiamen International Airport Group Co., Ltd) (holding 18,300,000 Shares), 廈門市路橋建設投資總公司 (Road & Bridge Construction Investment Corporation of Xiamen) (holding 18,300,000 Shares), 廈門夏商集團有限公司 (Xiamen Seashine Group Co., Ltd) (holding 18,300,000 Shares) and 廈門國有資產投資公司 (Xiamen State-Owned Assets Investment Corporation) (holding 18,300,000 Shares)."

Clauses 2 and 3 of Article 1 as amended now read:

"The Company was established by way of promotion on 3 March 2005 pursuant to the approval under the 《關於同意廈門港務集團有限公司整體改制變更為廈門國際港務股份有限公司的批復》 (the Reply Concerning the Proposal for Conversion of Xiamen Port (Group) Co. Ltd into Xiamen International Port Co., Ltd) (Xia Fu [2005] No. 32) issued by the Xiamen Municipal Government. Its business licence (Registration No. 3502001001982) was also issued on the same day after registration with the Xiamen Administration Bureau for Industry and Commerce.


The Promoter of the Company is 廈門港務控股集團有限公司 (Xiamen Port Holding Group Co., Ltd) (holding 1,666,300,000 Shares);

Other Domestic Shareholders of the Company are: 廈門國際航空港集團有限公司 (Xiamen International Airport Group Co., Ltd) (holding 18,300,000 Shares), 廈門路橋建設集團有限公司 (Xiamen Road & Bridge Construction Group Co., Ltd) (holding 18,300,000 Shares), 廈門夏商集團有限公司 (Xiamen Seashine Group Co., Ltd) (holding 18,300,000 Shares) and 廈門輕工集團有限公司 (Xiamen Light Industry Group Co., Ltd) (holding 18,300,000 Shares)."

- (ii) Article 15 originally read: "Under the approval of the authority delegated by the State Council for handling company affairs, the Company may issue a total of 2,726,200,000 ordinary Shares. 1,756,000,000 Shares were issued to the Promoter of the Company upon its establishment and 18,300,000 Shares were issued to each of the four other shareholders during capital raising, in aggregate representing 67.1% of the total number of ordinary Shares issuable by the Company."

Article 15 as amended now reads: "Under the approval of the authority delegated by the State Council for handling company affairs, the Company may issue a total of 2,726,200,000 ordinary Shares. 1,756,000,000 Shares were issued to the Promoter of the Company, representing 64.41% of the total number of ordinary Shares issuable by the Company."

- (iii) Article 16 originally read: "After its establishment, the Company issued 897,000,000 ordinary Shares, and the Promoter of the Company sold 89,700,000 Shares in its shareholding. The share capital structure of the Company after the afore-mentioned capital raising and share sale is: total number of ordinary Shares in issue: 2,726,200,000, including 1,666,300,000 Shares held by the Promoter, 廈門港務控股集團有限公司 (Xiamen Port Holding Group Co., Ltd), 18,300,000 Shares held by each of 廈門國際航空港集團有限公司 (Xiamen International Airport Group Co., Ltd), 廈門市路橋建設投資總公司 (Road & Bridge Construction Investment Corporation of Xiamen), 廈門夏商集團有限公司 (Xiamen Seashine Group Co., Ltd) and 廈門國有資產投資公司 (Xiamen State-Owned Assets Investment Corporation), in aggregate representing approximately 63.81% of the total share capital of the Company; 986,700,000 Shares are held by holders of H Shares, representing approximately 36.19% of the total share capital of the Company."



Article 16 as amended now reads: "After its establishment, the Company issued an additional 73,200,000 Shares in a capital raising exercise, and issued 897,000,000 ordinary Shares by way of public offer; while the Promoter of the Company sold 89,700,000 Shares in its shareholding. The current share capital structure of the Company is: total number of ordinary Shares in issue: 2,726,200,000, including 1,666,300,000 Shares held by the Promoter, 廈門港務控股集團有限公司 (Xiamen Port Holding Group Co., Ltd), 18,300,000 Shares held by each of the Domestic Shareholders, in aggregate representing approximately 63.81% of the total share capital of the Company; and 986,700,000 Shares are held by holders of H Shares, representing approximately 36.19% of the total share capital of the Company."

The Company has already applied to the PRC Ministry of Commerce and Xiamen Municipal Administration for Industry and Commerce for the relevant registration procedures of the aforesaid changes of the Articles of Association. It has also completed the relevant formalities for the amendment of the Articles of Association in accordance with the relevant laws and regulations of the PRC and Hong Kong.

OTHER INFORMATION

Share Capital

The table below sets out the share capital structure of the Company as at 30 June 2007:

Class of shares	Number of shares	Proportion (%)
Domestic shares	1,739,500,000	63.81
H shares	986,700,000	36.19
Total	2,726,200,000	100.00

There is no movement in the share capital of the Company during the six months ended 30 June 2007.

Dividend

The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

Share Option Scheme

The Company did not have any share option scheme.

Directors' and Supervisors' Interests in Shares

As at 30 June 2007, none of the Directors, Supervisors or their associates had interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director or Supervisor was deemed or taken to be under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial Shareholders' Interests

As at 30 June 2007, so far as is known to the Directors of the Company, the following persons (other than Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares	Capacity	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding Group Co., Ltd	Domestic Shares (Long Position)	1,666,300,000	Beneficial owner	95.79%	61.12%
China Shipping (Group) Co. (Note 1)	H shares (Long Position)	87,992,000	Interest of controlled corporation	8.92%	3.23%
China Shipping (Hong Kong) Holdings Co., Limited (Note 1)	H shares (Long Position)	87,992,000	Interest of controlled corporation	8.92%	3.23%
China Shipping Terminal Development (Hong Kong) Company Limited (Note 1)	H shares (Long Position)	87,992,000	Beneficial owner	8.92%	3.23%
Platinum Asset Management Limited	H shares (Long Position)	80,319,000	Trustee	8.14%	2.95%

Note 1: The 87,992,000 shares referred to the same batch of shares.

Save as disclosed above, as at 30 June 2007, so far as was known to the Directors of the Company, no other persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Purchase, Sale and Redemption of Securities

For the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any listed securities of the Company.

Acquisition and Disposal

For the six months ended 30 June 2007, the Group did not make any major acquisitions or disposals of its subsidiaries, jointly controlled entities and associated companies.

In relation to the Xiamen Xiangyu Free Trade Logistic Park Zone project (the "Project"), Xiamen Port Development Co., Ltd. ("XPD"), a listed subsidiary of the Group, entered into a land grant contract with Xiamen Land Bureau and Xiangyu Administrative Committee on 23 March 2007 (the "Contract"). Pursuant to the Contract, Xiamen Land Bureau granted the land use right of 262,210.835 square metres of land (the "Land Use Right") to XPD at a consideration of approximately RMB214,488,000. After netting off the compensation received from Xiangyu Administrative Committee of RMB96,856,000 for the resumption of the land use rights in connection with the Project, the net amount paid by the Group for the acquisition of the Land Use Right amounted to RMB117,632,000. The Company considered that the transaction involving the acquisition of the land use rights of 49,260.40 square metres of land, which was acquired by XPD and was originally owned by Xiamen Port Holding, constituted a connected transaction pursuant to the Listing Rules. The relevant consideration for acquiring the land use rights of the 49,260.40 square metres of land was approximately RMB40,295,007.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance for the Group in order to increase the degree of transparency and protection for shareholders' interests as a whole. It has put in place corporate governance practices to comply with the provisions of the Code on Corporate Governance Practices ("Code on Corporate Governance Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has consistently complied with the Code on Corporate Governance Practices. For the six months ended 30 June 2007, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Board of Directors

As at the date of this report, the Board of Directors of the Company comprised twelve Directors as follows:

Executive Directors:

Mr. Zheng Yongen	(previously appointed as a Non-executive Director, and was re-designated as an Executive Director and appointed as the Chairman on 10 April 2007)
Mr. Chen Dingyu	
Mr. Fang Yao	
Mr. Huang Zirong	
Ms. Hong Lijuan	(appointed as an Executive Director on 8 June 2007)



Non-executive Directors:

Mr. Fu Chengjing

Ms. Miao Luping

Mr. Lin Kaibiao (previously appointed as an Executive Director, and was re-designated as a Non-executive Director on 10 April 2007)

Mr. Ke Dong

Independent Non-executive Directors:

Mr. Huang Shizhong

Mr. Zhen Hong

Mr. Hui Wang Chuen

Note: Mr. ZENG Yingguo was previously appointed as an Executive Director and the Chairman of the Company, Mr. ZENG Yingguo resigned on 10 April 2007.

Audit Committee

The Company's Audit Committee comprises two Independent Non-executive Directors, Mr. Huang Shizhong (Chairman) and Mr. Zhen Hong and one Non-executive Director, Mr. Fu Chengjing. The primary functions of the Audit Committee are to propose the reappointment, oversee the performance and approve the remuneration of the independent auditors, review the completeness and accuracy of the accounts of the Company and oversee the financial reporting system and internal control procedures of the Company and offer advice and recommendations to the Board of Directors.

The unaudited condensed consolidated interim financial information have been reviewed by the Audit Committee.

Remuneration Committee

The Company's Remuneration Committee comprises two Independent Non-executive Directors, Mr. Hui Wang Chuen (Chairman) and Mr. Huang Shizhong, and an Executive Director, Mr. Chen Dingyu (appointed on 10 April 2007 to replace Mr. Zheng Yongen, who resigned as a member of the committee). The primary functions of the Remuneration Committee are to review human resource management policies regularly, formulate the remuneration policy for the Directors and senior executives of the Group, review and determine their remunerations and benefits, as well as make recommendations on the Directors' remunerations to the Board of Directors.

Business Strategy Committee

The Company's Business Strategy Committee is formed by Mr. Zhen Hong (Chairman), an Independent Non-executive Director, Mr. Chen Dingyu, an Executive Director and Ms. Miao Luping, a Non-executive Director. The primary functions of the Business Strategy Committee are: evaluating long-term, and strategic development plans, evaluating major investment and financing decisions requiring approvals of the Board of Directors under the Articles, evaluating major capital and asset management decisions requiring approvals of the Board of Directors under the Articles, evaluating other major businesses which may affect the development of the Company, monitoring the implementation of the above activities, and undertaking any other business authorised by the Board of Directors.

Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, and with regard to the Company's actual circumstances, in 2006 the Company prepared a Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd (the "Code") in accordance with the terms of the Model Code. The Code was approved by the Board and is now effective as the code of conduct for securities transactions by the Directors, Supervisors and senior executives of the Company.

Upon the Company's specific enquiries, all Directors and Supervisors confirmed that they have complied with the standards set out in the Model Code and the Code during the six months ended 30 June 2007.

By Order of the Board
Xiamen International Port Co., Ltd
Zheng Yongen
Chairman

Xiamen, the PRC
27 August 2007