



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

Stock Code : 3378

**Interim Report 2008**



\* 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

### EXECUTIVE DIRECTORS<sup>1</sup>

ZHENG Yongen (*Chairman*)<sup>2</sup>  
CHEN Dingyu<sup>3</sup>  
FANG Yao  
HUANG Zirong  
HONG Lijuan<sup>4</sup>

### NON-EXECUTIVE DIRECTORS<sup>1</sup>

FU Chengjing\*  
MIAO Luping  
LIN Kaibiao  
KE Dong

### INDEPENDENT NON-EXECUTIVE DIRECTORS<sup>1</sup>

HUANG Shizhong\*  
ZHEN Hong\*  
HUI Wang Chuen

\* *Members of the Audit Committee*<sup>5</sup>

### SUPERVISORS<sup>1</sup>

FANG Zuhui  
LUO Jianzhong  
WU Jianliang  
TANG Jinmu  
HE Shaoping

### JOINT COMPANY SECRETARIES

HONG Lijuan  
NGAI Wai Fung

### QUALIFIED ACCOUNTANT

ZHANG Yibing ACCA

### AUTHORISED REPRESENTATIVES

FANG Yao  
HONG Lijuan

### REGISTERED OFFICE

No. 127 Dongdu Road  
Xiamen, Fujian Province, 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 Company

### LEGAL ADVISERS

*as to Hong Kong law:*  
Vincent T. K. Cheung, Yap & Co.  
(from 26 February 2008)

*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 THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3378

### LISTING DATE

19 December 2005



*Notes:*

1. As at 29 February 2008, all the Executive Directors, Non-executive Directors and Independent Non-executive Directors of the first session of the Board of the Company were re-elected and appointed as the Directors of the second session of the Board of the Company. On the same day, all members of the first session of the Supervisory Committee of the Company were re-elected and appointed as the Supervisors of the second session of the Supervisory Committee of the Company.
2. Mr. ZHENG Yongen was appointed as the Chairman of the second session of the Board of of the Company on 29 February 2008.
3. Mr. CHEN Dingyu was appointed as the deputy Chairman of the second session of the Board of the Company on 29 February 2008.
4. Ms. HONG Lijuan was appointed as the Secretary of the Board to the second session of the Board of of the Company on 29 February 2008.
5. All members of the Audit Committee of the Company were re-elected as the members of the second session of the Audit Committee of the Company on 29 February 2008.

## FINANCIAL HIGHLIGHTS

Results for the six months ended 30 June 2008

	<b>2008</b>	2007	Changes
	<b>RMB'000</b>	RMB'000	
Revenues	<b>2,014,902</b>	<b>1,053,888</b>	91.2%
Operating profit	<b>276,159</b>	<b>256,202</b>	7.8%
Profit for the period	<b>258,309</b>	<b>243,462</b>	6.1%
Profit attributable to equity holders of the Company during the period	<b>197,110</b>	<b>171,743</b>	14.8%
Earnings per share for profit attributable to the equity holders of the Company during the period – Basic and diluted (RMB cents)	<b>7.23</b>	<b>6.30</b>	14.8%

**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 6 to 30 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 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively 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.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	As at 30 June 2008 Unaudited RMB'000	As at 31 December 2007 Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	3,255,276	3,213,925
Land use rights	3	1,010,109	1,037,917
Intangible assets	3	40,975	41,801
Interests in associates		35,718	35,333
Available-for-sale financial assets		117,008	165,442
Long-term bank deposits		6,859	7,306
Deferred income tax assets		52,940	50,617
<b>Total non-current assets</b>		<b>4,518,885</b>	4,552,341
<b>Current assets</b>			
Inventories		214,828	403,025
Accounts and notes receivable	5	661,199	546,557
Other receivables and prepayments		375,518	468,935
Other financial assets at fair value through profit or loss		6,681	8,931
Term deposits with initial term of over three months		151,752	94,050
Restricted cash		48,962	41,751
Cash and cash equivalents		964,261	1,001,285
<b>Total current assets</b>		<b>2,423,201</b>	2,564,534
<b>Total assets</b>		<b>6,942,086</b>	7,116,875
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	9	2,726,200	2,726,200
Reserves		881,339	875,947
		<b>3,607,539</b>	3,602,147
<b>Minority interests</b>		<b>928,217</b>	880,813
<b>Total equity</b>		<b>4,535,756</b>	4,482,960

	<i>Note</i>	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	8	<b>578,126</b>	545,070
Derivative financial instrument		<b>6,382</b>	4,483
Deferred government grants and income		<b>153,877</b>	153,757
Early retirement benefit obligations		<b>5,511</b>	5,802
Deferred income tax liabilities		<b>28,461</b>	41,434
<b>Total non-current liabilities</b>		<b>772,357</b>	750,546
<b>Current liabilities</b>			
Accounts and notes payable	6	<b>718,566</b>	986,099
Other payables and accruals	7	<b>542,600</b>	379,343
Borrowings	8	<b>344,991</b>	462,157
Taxes payable		<b>27,816</b>	55,770
<b>Total current liabilities</b>		<b>1,633,973</b>	1,883,369
<b>Total liabilities</b>		<b>2,406,330</b>	2,633,915
<b>Total equity and liabilities</b>		<b>6,942,086</b>	7,116,875
<b>Net current assets</b>		<b>789,228</b>	681,165
<b>Total assets less current liabilities</b>		<b>5,308,113</b>	5,233,506

The notes on pages 11 to 30 form an integral part of this condensed consolidated interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Unaudited Six months ended 30 June	
		2008 RMB'000	2007 RMB'000
Revenues	11	2,014,902	1,053,888
Cost of sales		(1,668,032)	(735,925)
Gross profit		346,870	317,963
Other income		10,060	8,105
Other gains – net		6,493	7,397
Selling and marketing expenses		(16,228)	(10,407)
General and administrative expenses		(71,036)	(66,856)
<b>Operating profit</b>	12	<b>276,159</b>	256,202
Finance income	13	15,234	14,344
Finance costs	13	(18,448)	(10,319)
Operating profit after finance income and costs		272,945	260,227
Share of results of associates		1,131	1,816
Profit before income tax		274,076	262,043
Income tax expense	14(a)	(15,767)	(18,581)
<b>Profit for the period</b>		<b>258,309</b>	243,462
<b>Attributable to:</b>			
Equity holders of the Company		197,110	171,743
Minority interests		61,199	71,719
		<b>258,309</b>	243,462
Earnings per share for profit attributable to the equity holders of the Company during the period – Basic and diluted (in RMB cents)	16	7.23	6.30

The notes on pages 11 to 30 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 2008

	Unaudited					
	Attributable to the Company's equity holders				Minority interests	Total equity
	Capital	Other reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2008</b>	<b>2,726,200</b>	<b>(313,156)</b>	<b>1,189,103</b>	<b>3,602,147</b>	<b>880,813</b>	<b>4,482,960</b>
Fair value loss on available-for-sale financial assets	-	(36,325)	-	(36,325)	-	(36,325)
- Gross	-	(48,434)	-	(48,434)	-	(48,434)
- Related deferred income tax	-	12,109	-	12,109	-	12,109
Profit for the period	-	-	197,110	197,110	61,199	258,309
2007 final dividend (note 15)	-	-	(155,393)	(155,393)	-	(155,393)
Dividends to minority shareholders of subsidiaries	-	-	-	-	(13,795)	(13,795)
<b>Balance at 30 June 2008</b>	<b>2,726,200</b>	<b>(349,481)</b>	<b>1,230,820</b>	<b>3,607,539</b>	<b>928,217</b>	<b>4,535,756</b>
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	-	50,105	-	50,105	-	50,105
- Gross	-	70,044	-	70,044	-	70,044
- Related deferred income tax	-	(19,939)	-	(19,939)	-	(19,939)
Profit for the period	-	-	171,743	171,743	71,719	243,462
2006 final dividend	-	-	(177,203)	(177,203)	-	(177,203)
Adjustment to surplus reserve (note 10)	-	(399,987)	399,987	-	-	-
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	(40,236)	(40,236)
Balance at 30 June 2007	2,726,200	(382,232)	1,012,321	3,356,289	837,610	4,193,899

The notes on pages 11 to 30 form an integral part of this condensed consolidated interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Net cash from operating activities	<b>200,326</b>	238,780
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(118,083)</b>	(219,630)
Proceeds from disposals of property, plant and equipment	<b>1,303</b>	922
Purchases of intangible assets and land use rights	<b>(3,182)</b>	(164,452)
Interest received	<b>9,741</b>	11,913
Dividends received	<b>2,222</b>	2,640
Net (increase)/decrease in term deposits with initial term of over three months	<b>(57,702)</b>	134,450
Net cash used in investing activities	<b>(165,701)</b>	(234,157)
<b>Cash flows from financing activities</b>		
Capital contribution from a joint venture partner of a jointly controlled entity	<b>8,993</b>	–
Proceeds from borrowings	<b>166,000</b>	145,000
Repayments of borrowings	<b>(244,762)</b>	(61,238)
Dividends paid to equity holders of the Company	–	(111,877)
Dividends paid to minority shareholders of subsidiaries	<b>(1,880)</b>	(1,190)
Net cash used in financing activities	<b>(71,649)</b>	(29,305)
<b>Net decrease in cash and cash equivalents</b>	<b>(37,024)</b>	(24,682)
Cash and cash equivalents at beginning of period	<b>1,001,285</b>	594,687
<b>Cash and cash equivalents at end of period</b>	<b>964,261</b>	570,005

The notes on pages 11 to 30 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 2008

### 1. General information

Xiamen International Port Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) are 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 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 and was transformed into a joint stock limited company on 3 March 2005. The Company’s H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 19 December 2005.

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

The unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 August 2008.

### 2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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 2007 (the “Annual Financial Statements”), 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 Annual Financial Statements as described in those Annual Financial Statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2008 but are not currently relevant for the Group:

HK(IFRIC)-Int 11:	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12:	Service Concession Arrangements
HK(IFRIC)-Int 14:	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

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

Certain new standards, amendments and interpretations to existing standards have been published but are not effective for the financial year beginning on or after 1 January 2008:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 2 (Amendment):	Share-based Payment	1 January 2009
HKFRS 3 (Amendment):	Business Combinations	1 July 2009
HKFRS 8:	Operating Segments	1 January 2009
HKAS 1 (Amendment):	Presentation of Financial Statements	1 January 2009
HKAS 23 (Amendment):	Borrowing Costs	1 January 2009
HKAS 27 (Amendment):	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 (Amendment):	Financial Instruments: Presentation	1 January 2009
HK(IFRIC)-Int 13:	Customer Loyalty Programmes	1 July 2008

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 2009 or later periods. The Group is assessing the impact of these new standards, amendments and interpretations but 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:

	<b>Unaudited</b>			
	<b>Property, plant and equipment</b>	<b>Land use rights</b>	<b>Intangible assets</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Opening net book value as at 1 January 2008</b>	<b>3,213,925</b>	<b>1,037,917</b>	<b>41,801</b>	<b>4,293,643</b>
Additions	126,382	2,244	938	129,564
Disposals	(522)	(18,662)	-	(19,184)
Depreciation and amortisation charge	(84,509)	(11,390)	(1,764)	(97,663)
<b>Closing net book value as at 30 June 2008</b>	<b>3,255,276</b>	<b>1,010,109</b>	<b>40,975</b>	<b>4,306,360</b>
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

#### 4. Investments in jointly controlled entities

As at 30 June 2008, the Group had interests in four jointly controlled entities, namely Xiamen International Container Terminals Ltd. ("XICT"), Xiamen Gangtong Logistics Co., Ltd. ("Gangtong"), Xiamen Haicang International Container Terminals Ltd. ("XHICT") and Xiamen Port YCH Logistics Co., Ltd. ("XPYCH").

All of the jointly controlled entities are established in the PRC and the Group has no unilateral control over the financial and operating policies of these jointly controlled entities. The Group's equity interests in XICT, Gangtong, XHICT and XPYCH are 51%, 50%, 51%, and 60% respectively.

The Group's share of assets and liabilities, revenues 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:

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
<b>Assets:</b>		
Non-current assets	<b>695,528</b>	672,095
Current assets	<b>219,170</b>	161,937
	<b>914,698</b>	834,032
<b>Liabilities:</b>		
Non-current liabilities	<b>(9,404)</b>	–
Current liabilities	<b>(126,899)</b>	(139,001)
<b>Net assets</b>	<b>778,395</b>	695,031
	<b>Unaudited Six months ended 30 June</b>	
	<b>2008 RMB'000</b>	2007 RMB'000
Revenues	<b>75,222</b>	107,397
Expenses	<b>(40,694)</b>	(43,117)
Profit before income tax	<b>34,528</b>	64,280
Income tax expense	<b>(2,944)</b>	(4,735)
Profit for the period	<b>31,584</b>	59,545

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

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Accounts receivable	<b>577,356</b>	507,906
Less: provision for impairment	<b>(14,714)</b>	(15,499)
	<b>562,642</b>	492,407
Due from fellow subsidiaries	<b>1,755</b>	2,211
Notes receivable	<b>96,802</b>	51,939
	<b>661,199</b>	546,557

Majority of the Group's revenues 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. Revenues from small, new or short-term customers are 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.

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

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Less than 6 months	<b>603,236</b>	503,797
6 months to 1 year	<b>31,717</b>	19,960
1 year to 2 years	<b>24,063</b>	20,068
2 years to 3 years	<b>3,816</b>	5,239
Over 3 years	<b>13,081</b>	12,992
	<b>675,913</b>	562,056
Less: provision for impairment	<b>(14,714)</b>	(15,499)
	<b>661,199</b>	546,557

## 6. Accounts and notes payable

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Accounts payable	<b>466,373</b>	442,647
Due to fellow subsidiaries	<b>4,488</b>	9,336
Notes payable	<b>247,705</b>	534,116
	<b>718,566</b>	986,099

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

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

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Within 1 year	<b>715,358</b>	984,426
1 year to 2 years	<b>1,693</b>	1,098
2 years to 3 years	<b>940</b>	–
Over 3 years	<b>575</b>	575
	<b>718,566</b>	986,099

## 7. Other payables and accruals

	As at 30 June 2008 Unaudited RMB'000	As at 31 December 2007 Audited RMB'000
Due to the parent company	2,083	1,742
Due to fellow subsidiaries	4,140	5,273
Due to other related parties	41,923	19,685
Salary and welfare payables	67,414	85,445
Customer deposits	160,665	153,821
Payable for purchases of property, plant and equipment and construction-in-progress	14,347	19,482
Accrued expenses	8,857	11,942
Dividend payable to		
– equity holders of the Company	156,623	1,230
– minority shareholders of subsidiaries	27,133	15,218
Other payables	59,415	65,505
	<b>542,600</b>	379,343

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

## 8. Borrowings

	As at 30 June 2008 Unaudited RMB'000	As at 31 December 2007 Audited RMB'000
<b>UNSECURED</b>		
<b>Non-current</b>		
Long-term bank borrowings	578,126	545,070
<b>Current</b>		
Short-term bank borrowings	339,000	356,120
Long-term bank borrowings – current portion	5,991	106,037
	<b>344,991</b>	462,157
Total borrowings	<b>923,117</b>	1,007,227

As at 30 June 2008, bank borrowing of RMB82,867,000 (31 December 2007: RMB89,857,000) is guaranteed by China Construction Bank.

## 8. Borrowings (Continued)

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
At 1 January	1,007,227	597,252
Additions	166,000	145,549
Repayments	(244,762)	(61,238)
Exchange difference	(5,348)	(2,416)
At 30 June	923,117	679,147

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

	As at 30 June 2008 Unaudited RMB'000	As at 31 December 2007 Audited RMB'000
	Bank borrowings repayable:	
– within one year	344,991	462,157
– in the second year	116,309	76,358
– in the third to fifth year	204,539	204,732
– after the fifth year	257,278	263,980
	923,117	1,007,227

## 9. Share capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total RMB'000
As at 30 June 2008 and 31 December 2007	1,739,500	986,700	2,726,200

There is no movement in the share capital of the Company during the six months ended 30 June 2008.

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.

## 10. Adjustment to Surplus

The Group adopted the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 (the "New PRC GAAP") for the preparation of the statutory financial statements since 1 January 2007. According to the relevant requirements under the New PRC GAAP, certain adjustments were made to the retained earnings and reserves in previous years upon first-time adoption. In addition, the New PRC GAAP no longer permits the Group's share of surplus reserves of subsidiaries to be presented on a consolidated basis, an adjustment on the surplus reserves and retained earnings was made in year 2007.

## 11. Segment information

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

The Group's 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.

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, land use rights, intangible assets, inventories, receivables and mainly exclude deferred income tax assets, interests in associates, available-for-sale financial assets, other financial assets at fair value through profit or loss and long-term bank deposits.

Segment liabilities comprise of operating liabilities and exclude items such as current and deferred income tax liabilities, derivative financial instrument and borrowings.

Capital expenditure comprises mainly additions to property, plant and equipment, land use rights 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 2008 are as follows:

	Six months ended 30 June 2008 (Unaudited)					
	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
Total gross segment revenues	375,028	74,471	295,303	150,700	1,147,103	2,042,605
Inter-segment sales	-	-	(27,703)	-	-	(27,703)
Segment revenues – external sales	375,028	74,471	267,600	150,700	1,147,103	2,014,902
Segment results	189,436	9,458	50,503	9,943	16,819	276,159
Finance income						15,234
Finance costs						(18,448)
<b>Operating profit after finance income and costs</b>						<b>272,945</b>
Share of results of associates	-	-	1,192	(61)	-	1,131
<b>Profit before income tax</b>						<b>274,076</b>
Income tax expense						(15,767)
<b>Profit for the period</b>						<b>258,309</b>
<b>Other information</b>						
Depreciation	47,826	11,233	19,098	6,210	142	84,509
Amortisation	7,270	2,242	3,567	15	60	13,154
Provision/(reversal of) impairment of receivables	-	507	(596)	48	1,954	1,913
Capital expenditure	53,343	27,839	35,969	12,249	164	129,564

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 (Unaudited)					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 revenues	362,489	84,432	244,917	157,072	234,958	1,083,868
Inter-segment sales	–	–	(29,980)	–	–	(29,980)
Segment revenues – 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						14,344
Finance costs						(10,319)
<b>Operating profit after finance income and costs</b>						260,227
Share of results of associates	–	–	1,635	181	–	1,816
<b>Profit before income tax</b>						262,043
Income tax expense						(18,581)
<b>Profit for the period</b>						243,462
<b>Other information</b>						
Depreciation	42,993	10,928	18,505	5,989	130	78,545
Amortisation	7,053	2,237	2,253	22	–	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 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
<b>Unaudited</b>						
<b>As at 30 June 2008</b>						
Segment assets	3,759,245	458,911	1,602,873	266,932	634,919	6,722,880
Interests in associates	–	–	34,864	854	–	35,718
						<u>6,758,598</u>
Unallocated assets						<u>183,488</u>
Total assets						<u>6,942,086</u>
Segment liabilities	426,248	23,204	494,329	142,658	334,115	1,420,554
Unallocated liabilities						<u>985,776</u>
Total liabilities						<u>2,406,330</u>
<b>Audited</b>						
<b>As at 31 December 2007</b>						
Segment assets	3,614,869	452,689	1,615,583	272,259	893,846	6,849,246
Interests in associates	–	–	34,418	915	–	35,333
						<u>6,884,579</u>
Unallocated assets						<u>232,296</u>
Total assets						<u>7,116,875</u>
Segment liabilities	264,135	33,864	473,457	152,314	601,231	1,525,001
Unallocated liabilities						<u>1,108,914</u>
Total liabilities						<u>2,633,915</u>

**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 revenues and operating profit 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
<b>Crediting:</b>		
Dividend income	<b>1,876</b>	2,640
Gain on disposal of property, plant and equipment	<b>2,308</b>	30
Gain on disposal of other financial assets at fair value through profit or loss	<b>5,682</b>	–
Gain arising from non-monetary contribution for the establishment of a jointly controlled entity	<b>4,774</b>	–
Reversal of impairment of – receivables	<b>1,769</b>	–
– property, plant and equipment	<b>45</b>	–
<b>Charging:</b>		
Amortisation of – land use rights	<b>11,390</b>	10,156
– intangible assets	<b>1,764</b>	1,409
Depreciation of property, plant and equipment	<b>84,509</b>	78,545
Fair value loss on derivative financial instrument	<b>1,899</b>	1,569
Cost of inventories consumed	<b>1,305,036</b>	397,324
Impairment of receivables	<b>3,682</b>	4,231

### 13. Finance income and costs

	Unaudited Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Interests on bank borrowings	(31,882)	(20,973)
Less: amounts capitalised	13,434	10,654
	(18,448)	(10,319)
Interest income	9,741	11,913
Net foreign exchange gain	5,493	2,431
	15,234	14,344
Finance (costs)/income, net	(3,214)	4,025

The weighted average interest rates on capitalised borrowings for the six months ended 30 June 2008 was 7.02% (2007: 6.16%) per annum.

### 14. Taxation

#### (a) Income tax expense

	Unaudited Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
PRC current income tax	18,954	30,848
Deferred income tax credit	(3,187)	(12,267)
	15,767	18,581

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 (2007: Nil).

The Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National People's Congress has standardised the corporate income tax rate to 25% with effect from 1 January 2008. Prior to the effective date of the new CIT Law, all of the Company's subsidiaries and jointly controlled entities (other than XICT) (collectively the "Entities") were all entitled to the preferential corporate income tax rate of 15%. Pursuant to the new CIT Law, the Entities can still enjoy a transitional period to gradually increase the applicable tax rate to 25% over a period of five years. Hence, the applicable tax rates for the Entities in the coming five years, starting from 1 January 2008, would be 18%, 20%, 22%, 24% and 25% respectively.

**14. Taxation (Continued)**

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

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 its first cumulative profit-making year in 2001. The current year is the third year which XICT should enjoy the 50% reduction in income tax. Given the tax preferential treatment remains valid under the new CIT Law, the applicable income tax rate for XICT for the current period is 9% (2007: 7.5%).

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. The current year is the second year which the Company could enjoy the income tax exemption. Given the tax preferential treatment remains valid under the new CIT Law, therefore the Company has not made any provision for corporate income tax in the current period (2007: Nil).

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

The Group is subject to BT of 3% or 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. In addition, some of other subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The above subsidiaries are also subject to CCT and ES based on 7% and 4% of net VAT payable, respectively.

**15. Dividend**

At a board meeting held on 18 April 2008, the Board of Directors proposed final dividend of RMB155,393,000 (at RMB5.7 cents per share) for the year ended 31 December 2007, which was subsequently approved at the annual general meeting on 20 June 2008 (the "2007 Final Dividend"). The 2007 Final Dividend has been reflected as an appropriation of retained earnings for the six months ended 30 June 2008.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: 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.

	Unaudited Six months ended 30 June	
	2008	2007
Profit attributable to the equity holders of the Company (in RMB)	197,110,000	171,743,000
Weighted average number of the Company's shares in issue	2,726,200,000	2,726,200,000
Basic earnings per share (in RMB cents)	7.23	6.30

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 2008 Unaudited RMB'000	As at 31 December 2007 Audited RMB'000
Purchases of property, plant and equipment contracted but not provided for:		
– the Group	343,212	311,002
– a jointly controlled entity	7,818	8,326
	351,030	319,328
Capital contribution to a jointly controlled entity	–	58,590
	351,030	377,918

Capital commitments as at 30 June 2008 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 2008 and such capital expenditure had not been incurred as at that date.

## 18. Contingent liabilities

As at 30 June 2008, the Group has no significant contingent liabilities (31 December 2007: Nil).

## 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 those disclosed 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 six months ended 30 June 2008 and balances arising from these significant related party transactions.

19. Significant related party transactions (Continued)

- (a) During the six months ended 30 June 2008 and 30 June 2007, the Group had the following significant transactions with related parties.

		Unaudited Six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
<b>Transactions with the parent company</b>			
<i>Expenses</i>			
Comprehensive services	(i)	7,284	10,753
<b>Transactions with fellow subsidiaries</b>			
<i>Expenses</i>			
Labour services	(ii)	6,854	6,550
<i>Others</i>			
Purchases of property, plant and equipment	(iii)	3,320	–
<b>Transactions with other state-owned enterprises</b>			
<i>Revenues</i>			
Loading and unloading services rendered	(iv)	89,392	93,516
Port ancillary services rendered	(iv)	15,187	16,769
Sales of building materials	(iv)	38,467	6,287
Interest income from bank deposits		9,741	11,913
<i>Expenses</i>			
Purchases of goods and raw materials	(v)	25,667	24,022
Fuel charges	(v)	42,083	39,629
Interest expenses paid to state-owned banks	(vi)	29,935	18,457
<i>Others</i>			
Purchases of property, plant and equipment	(vii)	34,328	49,173
Purchase of land use right	(viii)	–	117,632

**19. Significant related party transactions** (Continued)

- (a) (Continued)
- (i) 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.
  - (ii) The related labour services were 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.
  - (iii) The purchases of property, plant and equipment represented the expenditure for berth construction services, building construction services and other related port engineering services. The terms were mutually agreed by the parties in concern.
  - (iv) 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.
  - (v) The consideration paid and the terms were mutually agreed by the parties involved.
  - (vi) Interest was charged for loans from state-owned banks in accordance with the terms as set out in the respective agreements or as mutually agreed with the parties involved.
  - (vii) The purchases 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, which were conducted at terms as mutually agreed by the parties involved.
  - (viii) In 2007, the Group paid a net amount of RMB117,632,000 (after the net-off of a land resumption compensation received from Xiangyu Administrative Committee of RMB96,856,000) to acquire a land use right of a total area of 262,210.835 square meters from Xiamen Land Bureau.

**19. Significant related party transactions** (Continued)

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

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
<b>Balances with the parent company</b>		
Other receivables and prepayments	1,480	307
Other payable and accruals	2,083	1,742
Dividend payable	96,022	–
<b>Balances with fellow subsidiaries</b>		
Accounts receivable	1,755	2,211
Other receivables and prepayments	2,545	1,023
Accounts payable	4,488	9,336
Other payable and accruals	4,140	5,273
<b>Balances with other related parties</b>		
Other payable and accruals	41,923	19,685
<b>Balance with minority shareholders of subsidiaries</b>		
Dividend payable	27,133	15,218
<b>Balances with other state-owned enterprises</b>		
Restricted cash	48,962	41,751
Long-term bank deposits	6,859	7,306
Term deposits with initial term of over three months	151,752	94,050
Cash and cash equivalents	964,261	1,001,123
Accounts receivable	88,763	81,967
Other receivables and prepayments	15,160	16,185
Accounts payable	22,910	23,890
Other payable and accruals	1,841	5,815
Borrowings	840,250	917,370

**19. Significant related party transactions (Continued)**

(c) Key management compensation:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	<b>1,538</b>	1,404
Contributions to pension plans	<b>90</b>	81
Discretionary bonuses	<b>132</b>	120
	<b>1,760</b>	1,605

**20. Pending litigation**

In 2007, Xiamen Port Development Co., Ltd. ("XPD"), a subsidiary of the Company which is engaged in trading of industrial products, has stored certain of its inventories in a warehouse owned and operated by a third party storage company (the "Storage Company"). It was subsequently discovered by XPD that part of the inventories with carrying amount of RMB25,000,000 (the "Inventories") were taken away, without the proper approval or consent from XPD, by a third party customer (the "Customer") prior to 31 December 2007. XPD was originally intended to sell the Inventories to this Customer.

In January 2008, XPD filed with Intermediate People's Court of Xiamen City (the "Court") a legal claim against the Customer and the Storage Company for the lost of the Inventories (the "Claim"). In February 2008, the Court accepted XPD's application and issued an injunction to freeze the land use right of a piece of land (the "Land Use Right") owned by the Customer with an area of 12,894.40 square metres in Shantou City. XPD is ranked the second in order beneficiary against the Land Use Right for the Claim. The case is currently under process and the Claim is still pending as of the date of this report.

To reflect the lost of the Inventories and the Claim lodged against the lost, XPD derecognised the Inventories of RMB25,000,000 and recognised a receivable from the Customer at the same amount as at 31 December 2007. Furthermore, based on the latest development of the Claim, and after assessing the value of the Land Use Right being frozen by the Court for the Claim and the advanced payment previously made by the Customer to XPD, the directors of the Company believe that the impairment provision of RMB8,045,000 (as at 31 December 2007: RMB6,200,000) for the receivable from the Customer as at 30 June 2008 is adequate.

**21. Subsequent event**

At a board meeting held on 29 August 2008, the Board of Directors passed a resolution to approve execution of an asset transfer agreement ("Agreement") between the Company and XHICT, a jointly controlled entity of the Company. According to the Agreement, the Company would transfer certain port related assets to XHICT at a total consideration of RMB407,380,400.

On the same day, the meeting also approved the execution of Operations and Management Unification Agreement between XICT and XHICT regarding their joint operations and management of certain berths. The term of the agreement is 3 years.

Both of the above agreements and the transactions contemplated will be effective only after the approval by the general meeting of the Company in compliance with the requirements of The Stock Exchange of Hong Kong Limited.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATING RESULTS**

In the first half of 2008, various factors including the US sub-prime mortgage crisis and the austerity macroeconomic adjustment imposed by the PRC government brought on challenges for the overall shipping and trading business in China, which also had an effect on the port industry in Xiamen. In view of the foregoing, the Group has undergone an overall sales and marketing strategy to fully capitalize on the advantage of the “one-stop” integrated port services to deliver diversified and price competitive quality service to our customers and to seek for new routes business, particularly the container trunk line business. Moreover, new sources of cargo growth were fostered by the strengthening of the port and railway development, the proactive exploration of new sources of cargo business and value-added operations, and the promotion of the development of the land-based port in inland China through the sea-rail joint transportation business. In addition, the Group continued to put forward refined management to optimize production workflow and to enhance the operation efficiency of ports, and to fully implemented the energy saving and consumption controlling technology to control various operation costs. The aforementioned efforts have enabled the Group to maintain a steady growth in its operating revenue with a sound and healthy financial position.

For the six months ended 30 June 2008, the Group achieved revenue of approximately RMB2,014,902,000, representing a 91% increase over RMB1,053,888,000 in the corresponding period in 2007. Profit attributable to equity holders of the Company amounted to approximately RMB197,110,000, representing a 15% increase over RMB171,743,000 in the corresponding period in 2007. The earnings per share were RMB7.23 cents (2007: RMB6.30 cents).

### **BUSINESS REVIEW**

The Group operates its port terminal business at 15 berths in the Dongdu and Haicang port areas in Xiamen (excluding berth No.1 of the Haicang port area). 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 as well as the trading of industrial products (such as chemical products and steel).

### Container Port Business

Being affected by the overall weakened shipping and trading market during the first half of 2008, container throughput of the Group has maintained a mild growth as that during the corresponding period in 2007. Details of the container throughput of the Group are as follows:

Container throughput	Six months ended 30 June		Increase (decrease)
	2008 (TEUs)	2007 (TEUs)	
The Haitian terminal, Hairun terminal and Dongdu Branch of the Group (international and domestic trade)	<b>1,148,669</b>	975,356	17.8%
XICT (international trade)	<b>235,367</b>	324,253	(27.4%)
<b>Total throughput</b>	<b>1,384,036</b>	1,299,609	6.5%

\* 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 51% of XICT's figures.

During the reporting period, as compared with the same period in 2007, the container terminal operation and management system in the Haitian terminal made further way in enhancing its operation management and the Dongdu Branch continued to perfect its facility at the container terminal used for domestic trade. Operation efficiency of both terminals increased steadily with business continued to grow. Meanwhile, the further utilization of Hairun terminal's productivity boosted its business volume significantly. However, under the global impact of US sub-prime mortgage crisis, and affected by the routes adjustment of shipping companies, the business volume of XICT declined.

In response to the above circumstances, the Group has taken some corresponding measures including the reinforcement of cooperation with existing ship companies of XICT, exploration of new business model and striving for new port rotations to push the further growth of container throughput. At the same time, the Group kept the close relationship with major international and domestic logistics companies/cargo agencies of Xiamen, coordinated with nearby depots, focused on the follow-up work of large-scale cargo-owners to have their business updates in hand, expanded more cargo sources and commenced ancillary port services (like on site container maintenance service) timely to generate more operating income.

### Bulk/General Cargo Port Businesses

In the first half of 2008, the Group's bulk/general cargo throughput maintained a mild growth. The bulk/general cargo throughput handled amounted to 2,298,541 tonnes. The details are as follows:

Bulk/general cargo throughput	Six months ended 30 June		Increase (decrease)
	2008 (tonnes)	2007 (tonnes)	
Dongdu Branch	2,275,808	2,116,544	7.5%
XICT	22,733	62,765	(63.8%)
Total throughput	2,298,541	2,179,309	5.5%

Compared with the same period in 2007, the bulk/general cargo throughput of the Dongdu Branch maintained its growth but that of XICT declined significantly due to two reasons. The first reason is that the relevant general cargo business of XICT did not meet the expectation as a result of the appreciation of Renminbi and the restriction of steel export in China. The second reason is that XICT had positioned itself in the market as a professional container terminal and thus intentionally controlled the scale of its bulk/general cargo business.

### Ancillary Value-added Port Services

The complementing development between ancillary value-added port services and terminal loading and unloading business is the Group's competitive strength. Riding on the successful implementation of its overall sales and marketing strategy, the Group was able to deliver one-stop and diversified integrated port services to its customers. During the reporting period, the shipping agency, tallying, tugboat berthing and unberthing and port-related logistics services of the Group kept growing. To explore new cargo sources and commence new value-added services, the Group also continued to develop its sea-rail joint transportation business and bonded logistics business. Currently, the facility and operation of the passage of sea-rail joint transportation is becoming perfect. Even under the impact of Chinese New Year vacation and snow storm in mainland China, the container throughput of the Group's sea-rail joint transportation business reached 3,952 TEUs in the first half of 2008, thus still maintained a rapid growth of 35.3%. Our newly established joint venture, Xiamen Port YCH Logistics Co., Ltd, is focusing on the construction of the second bonded logistics warehouse in Xiamen Bonded Logistics Park which will commence construction shortly. In addition, the Group has embarked preparation to build the third bonded logistics warehouse in the Park to accommodate the future development of the business including the bonded logistics business of the Park.

### Trading Business of Industrial Products

In the first half of 2008, the Group's industrial products trading business continued its rapid development, which to a certain extent facilitated the growth of the port business and the overall revenue of the Group. However, as such business also utilized a large portion of the Group's resources and the gross profit margin was far below than that of other port businesses, thus the risk of the business is relatively high. For this reason, the Group has started to re-devise the development direction of the business.

## FINANCIAL REVIEW

### Revenue

Revenue from the Group increased by 91% from RMB1,053,888,000 for the six months ended 30 June 2007 to RMB2,014,902,000 for the six months ended 30 June 2008. The revenue from the Group's trading business of industrial products, ancillary value-added port service, and container loading and unloading and storage businesses have all recorded increases.

### Revenue by Business Sector

Business	Six months ended 30 June		Increase (decrease)
	2008 (RMB'000)	2007 (RMB'000)	
Container loading and unloading and storage businesses	375,028	362,489	3.5%
Bulk/general cargo loading and unloading businesses	74,471	84,432	(11.8%)
Ancillary value-added port service	267,600	214,937	24.5%
Manufacturing and selling of building materials	150,700	157,072	(4.1%)
Trading business of industrial products	1,147,103	234,958	388.2%
<b>Total</b>	<b>2,014,902</b>	<b>1,053,888</b>	<b>91.2%</b>

The reasons for the change of revenue of each business sector in the period compared with the corresponding period of last year are as follows:

1. The container throughput of the Group for the six months ended 30 June 2008 amounted to 1,384,036 TEUs (count in 51% of XICT's throughput under proportional consolidation) which has an increase compared with the same period of 2007. As a result, the revenue of this sector increased accordingly.
2. Although the total cargo throughput of the Group increased, however, the growth of cargoes with higher tariff including stone and steel products did not meet the expected targets which resulted in the drop of average tariff of this business and also the revenue of the bulk/general cargo loading and unloading businesses.
3. The increased income of the ancillary value-added port service was mainly due to the growth of cargo and container throughput handled by Xiamen port.
4. The decreased demand for infrastructure facilities in Xiamen due to macroeconomic adjustment lowered the revenue of the manufacturing and selling business of building materials.
5. The Group focused on the trading business of industrial products resulted in the rapid revenue increase of the sector.



### **Cost of Sales**

Cost of sales of the Group increased by 126.7% from RMB735,925,000 for the six months ended 30 June 2007 to RMB1,668,032,000 for the six months ended 30 June 2008. Such increase was primarily due to the increase in the cost of products sold under the trading business and employee benefit expenses.

- Cost of products sold under the trading business increased by 393.7% from RMB229,651,000 for the six months ended 30 June 2007 to RMB1,133,856,000 for the six months ended 30 June 2008. Such increase was mainly due to the corresponding increase in cost of products sold as a result of the rapid growth of the trading business of steel and chemical products of the Group.
- Employee benefit expenses increased by 17.0% from RMB128,715,000 for the six months ended 30 June 2007 to RMB150,626,000 for the six months ended 30 June 2008. 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 2008.

### **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 2008, the Group's cash and cash equivalents amounted to RMB964,261,000 (31 December 2007: RMB1,001,285,000).

Borrowings of the Group decreased by 8.4% from RMB1,007,227,000 as at 31 December 2007 to RMB923,117,000 as at 30 June 2008, mainly due to the repayment of bank loans by the Group.

As at 30 June 2008, the Group's guaranteed loans amounted to RMB82,867,000, which were guaranteed by China Construction Bank. The Group's net debt to equity ratio was -0.91% as at 30 June 2008, compared with 0.13% as at 31 December 2007.

### **Other Financial Information**

As at 30 June 2008, the Group's available-for-sale financial assets decreased from RMB165,442,000 to RMB117,008,000 as compared with 31 December 2007. The decrease was mainly contributed by the lower fair value of shares of Sansteel MinGuang Co., Ltd, Fujian and Bank of Communications Co., Ltd, the stock investments held by the Group.

### **Capital Expenditure Commitments**

As at 30 June 2008, the Group's capital expenditure commitments amounted to RMB351,030,000, primarily consisting of the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machinery, acquisitions of vessels and renovation of buildings.

### **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 2008.

Except for interest rate swap 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 Board, who will consider hedging any significant foreign currency exposure should the need arises.

### **Contingent Liabilities**

As at 30 June 2008, the Group has no significant contingent liabilities.

### **Subsequent Events**

On 29 August 2008, the fourth meeting of the second session of the Board of the Company passed a resolution to approve execution of the Marine Structure Engineering of Berth Number 1 Transfer Agreement between the Company, as transferor, and Xiamen Haicang International Container Terminals Limited ("XHICT"), our joint venture, as transferee, regarding the transfer of the ownership of the marine structure engineering project of berth No.1 of Haicang Port area in Xiamen Port to XHICT at a total consideration of RMB407,380,400. The consideration was determined by both parties with reference to the valuation assessed by Fujian Zhongxing Assets Appraisal Real Estate Land Valuation Co., Ltd (福建中興資產評估房地產土地估價有限責任公司), a valuation company recognized by the parties. The consideration has also been authorized by the State-Owned Asset Supervision and Administration Commission of Xiamen Municipal Government.

On the same day, the meeting also resolved to approve the execution of Operations and Management Unification Agreement between XICT and XHICT regarding their joint operations and management of berths Nos.1 to 3 of Haicang port area in Xiamen Port in order to share resources and minimize operating costs. The term of the agreement is 3 years.

Both of the above agreements and the transactions contemplated will be effective only after the approval by the general meeting of the Company in compliance with the requirements of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The above subsequent events are also set out in the note 21 to the unaudited condensed consolidated interim financial statements.



## Employees

As at 30 June 2008, the Group had 5,583 employees, an increase of 56 employees over 31 December 2007. 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. In response to our remuneration reform, the Group further improved the employee performance assessment system during the reporting period. 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 incentive to motivate each employee. During the reporting period, the Group also amended and refined certain systems on employee vacations according to the Regulations on Paid Annual Leave for Employees issued by the State Council on 16 December 2007.

## Prospects and Outlook

The lingering effect of US sub-prime mortgage crisis on global economy and trade, the austerity macroeconomic adjustment and the change of export tax rebate policy in the PRC, and other factors like the appreciation of Renminbi, rise in raw material prices and labor costs are affecting the export industry of China. The growth of export business of Xiamen Port is expected to slow down in the second half of 2008, but on the other hand the import business is going to recover. The business volume of domestic trade container of Xiamen Port has been surging since the beginning of this year and the degree of containerization of bulk cargo may further increase. Besides, the recent launch of International Transit System Version 3.0 and Marine Transfer System in Xiamen Port by the Customs, the approval of the bonded area of Haicang port in Xiamen on 5 June 2008 and the acceleration of its construction progress, and the further improvement of the efficiency of border crossing in Xiamen port will facilitate the rapid growth of businesses including the international transshipment business.

The second half of the year is traditionally the peak season for the shipping industry and every route will be heavily engaged successively. The Group expects that ports operation will have better development than the first half of the year. Thus, the Group will capture every opportunity to attract business, prepare for challenges, tighten the operation management and reinforce corporate governance to safeguard and maximize shareholder's interest. In the coming half year, the Group will focus on the following matters:

- To continuously and pro-actively implement overall sales and marketing strategies to develop a high quality customer base. Adhering to the principle of maximizing the benefit of the Group, the inter-company cooperation on marketing should be strengthened and VIP program will be implemented to serve our customers. The Company will further innovate customer service to deliver personalized solutions to suit various needs of major shipping companies and help them attract large-scale cargo-owners so as to consolidate and boost the development of route business by increasing the number of cargo handled.
- To capture the trend of containerization of bulk cargo and attract more customers by seeking for suitable cargo sources of new import business like renewable resources, iron ore fines, soybean, wood and fish meal.

- To actively develop domestic trade container business by grasping the opportunity stemmed from the current great domestic needs, to fully capitalize the Group's overall edges to promote the reasonable usage of domestic and international vessels and through the consolidation of sea-rail joint transportation of foreign and domestic trade, and to fight for new domestic trade container routes in response to the latest development of shipping market in China.
- To lever the opportunities on international container transshipment business brought by the launch of International Transit System Version 3.0 and Marine Transfer System in Xiamen Port by the Customs and the construction of the bonded area of Haicang port in Xiamen, which may strengthen the support on international container transshipment business and attract shipping companies to use Xiamen Port and the Group's transshipment service.
- To pro-actively expand new ancillary value-added business including sea-rail joint transportation and bonded logistic business. Taking advantage of the existing port resources and railway support, the Group will optimize the development plan of sea-rail joint transportation, and devise and construct a land-based port in inland China. Besides, taking advantage of the policy regarding the Bonded Logistics Park, the Group will implement and innovate business models, strengthen business publicity and focus on the construction of the two new bonded logistics warehouses.
- To fully utilize the productivity of the Group's terminals by operating the container terminal operation and management system in Hairun terminal to increase its operation efficiency and to accelerate the joint operation among berths Nos. 1, 2 and 3 to realize economies of scale.
- To refine the Group's management and tighten its cost control, in particular the further enhancement of comprehensive budget management system, the accelerated application of the comprehensive budget management software and the rise of budget management standard. The Group will also cope with the escalating prices of raw materials and crude oil by saving energy and controlling consumption and speeding up the technological transformation of "power supply change from oil to electricity" and other technological transformation projects.
- In accordance with the Option and Right of First Refusal Agreement and the Memorandum in Relation to the Songyu Port Area Phase I Terminal Construction signed between the Company and Xiamen Port Holding, the Group will actively monitor the progress of the trial run of Songyu Port Area Phase I Terminal Construction and the completion inspection, as well as the procedures relating to the capital contribution by the relevant shareholders, in order to facilitate the Board to make the appropriate decisions based on the management and operational circumstances at the time.



## **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

At the 2007 Annual General Meeting of the Company held on 20 June 2008, it was approved that certain amendments have to be made to the several existing articles of the Articles of Association of the Company (“Articles of Association”) to comply with the amended Company Law of the PRC effective from 1 January 2006 and the changes in domestic shareholders.

The Company has already applied to the PRC Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council and Xiamen Municipal Administration for Industry and Commerce for the relevant registration procedures of the aforesaid changes in 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 Hong Kong.

## OTHER INFORMATION

### SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 30 June 2008:

<b>Class of shares</b>	<b>Number of shares</b>	<b>Proportion (%)</b>
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 2008.

### DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

### SHARE OPTION SCHEME

The Company did not have any share option scheme.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 2008, 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 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 2008, 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)	1,684,600,000	Beneficial owner	96.84%	61.79%
Platinum Asset Management Limited	H shares (Long Position)	80,319,000	Trustee	8.14%	2.95%
China Shipping (Group) Co. (Note)	H shares (Long Position)	78,894,000	Interest of controlled corporation	8.00%	2.89%
China Shipping (Hong Kong) Holdings Co., Limited (Note)	H shares (Long Position)	78,894,000	Interest of controlled corporation	8.00%	2.89%
China Shipping Terminal Development (Hong Kong) Company Limited (Note)	H shares (Long Position)	78,894,000	Beneficial owner	8.00%	2.89%
Merrill Lynch & Co Inc	H shares (Long Position)	52,033,100	Interest of controlled corporation	5.27%	1.91%

Note: The 78,894,000 shares referred to the same batch of shares.

Save as disclosed above, as at 30 June 2008, 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 2008, 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 2008, the Group did not make any major acquisitions or disposals of its subsidiaries, jointly controlled entities and associated companies.

## PENDING LITIGATIONS

At the end of January 2008, Xiamen Development Port Co., Ltd (“XPD”), a subsidiary of the Company, discovered that certain goods (DOP 640 tonnes, PE 495 tonnes, EVA 500 tonnes) valued at RMB24,971,700 that XPD has previously stored at the warehouse of Xiamen Xinqingyi Warehousing Logistics Co., Ltd (廈門欣輕藝倉儲物流有限公司) (“XXWL”) have been taken away by Shantoushi Zhongyu Zhiye Co., Ltd (汕頭市中裕置業有限公司) (“SZZ”) and XXWL after negotiation amongst themselves without the consent of XPD. XPD has promptly taken some measures, including calculating warehouse inventories, checking credit and filing a report with the Public Security Bureau. On 31 January 2008, XPD has commenced proceeding against SZZ and XXWL at the Intermediate People’s Court of Xiamen City, and pursuant to PRC law, to apply for property preservation and to claim damages from SZZ and XXWL for the economic loss suffered by XPD. In February 2008, the land use right of a piece of land owned by SZZ, with an area of 12,894.40 square metres in Shantou City, is scheduled (the second in order) to be subject to an injunction issued by the Intermediate People’s Court of Xiamen City. The case is currently being processed. The Company will disclose the development of this matter timely pursuant to the relevant provisions under Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“the Listing Rules”).

## CORPORATE GOVERNANCE

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance for the Group. The Directors believe that sound corporate governance makes important contribution to both the success of the Company and the boost of shareholders’ interest.

The Company 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 Listing Rules and has consistently applied the Code on Corporate Governance Practices. During the six months ended 30 June 2008, the Company has complied with the provisions set out in the Code on Corporate Governance Practices.

### BOARD OF DIRECTORS

At the Extraordinary General Meeting held on 29 February 2008, all members of the first session of the Board of the Company were re-elected and appointed as the Directors of the second session of the Board of the Company. On the same day, all members of the first session of the Supervisory Committee of the Company were re-elected and appointed as the Supervisors of the second session of the Supervisory Committee of the Company.



As at the date of this report, the second session of the Board of the Company comprised 12 Directors as follows:

**EXECUTIVE DIRECTORS:**

Mr. Zheng Yongen (re-appointed as the Chairman of the second session of the Board on 29 February 2008)  
Mr. Chen Dingyu (re-appointed as the Vice Chairman of the second session of the Board on 29 February 2008)  
Mr. Fang Yao  
Mr. Huang Zirong  
Ms. Hong Lijuan (re-appointed as the Board Secretary of the second session of the Board on 29 February 2008)

**NON-EXECUTIVE DIRECTORS:**

Mr. Fu Chengjing  
Ms. Miao Luping  
Mr. Lin Kaibiao  
Mr. Ke Dong

**INDEPENDENT NON-EXECUTIVE DIRECTORS:**

Mr. Huang Shizhong  
Mr. Zhen Hong  
Mr. Hui Wang Chuen

**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. At the first meeting of the second session of the Board on 29 February 2008, the three Directors above were re-elected as members of the Audit Committee, and Mr. Huang Shizhong was continued to be appointed as the Chairman of the Audit Committee. The primary functions of the Audit Committee are: to propose the re-appointment, oversee the performance and approve the remuneration of the independent auditors, to review the Company's financial information, to evaluate and supervise the Company's financial reporting procedures and to oversee the Company's internal control procedures and their effectiveness.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008.

**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. At the first meeting of the second session of the Board on 29 February 2008, the three Directors above were re-elected as members of the Remuneration Committee, and Mr. Hui Wang Chuen was continued to be appointed as the Chairman of the Remuneration Committee. The primary functions of the Remuneration Committee are to formulate the remuneration policy for the Directors and senior management of the Group, review and determine their remunerations and benefits, as well as make recommendations on the Directors' remunerations to the Board.

### **BUSINESS STRATEGY COMMITTEE**

The Company's Business Strategy Committee is formed by Mr. Zhen Hong (Chairman), an Independent Non-executive Director, Mr. Zheng Yongen, Mr. Chen Dingyu and Mr. Fang Yao, the Executive Directors, and Ms. Miao Luping, a Non-executive Director. The above committee members were appointed at the first meeting of the second session of the Board of the Company on 29 February 2008. The Business Strategy Committee is responsible for considering, evaluating and reviewing long-term strategic development plan and material capital and asset management decisions, such as major investments and financing exercises, as well as acquisitions and disposals, and making recommendations to the Board in respect thereof. Meanwhile, it assumes responsibility for carrying out subsequent evaluation of investment projects and for reviewing and considering business development direction of the Company.

### **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has originally 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, the Company has prepared a Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd (the "Code") on terms no less than the required standard as set out in the Model Code in 2006. The Code is now effective as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company after the consideration and approval by the Board 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 2008.

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

Xiamen, the PRC  
29 August 2008