廈門國際港務股份有限公司
XIAMEN INTERNATIONAL PORT CO., LTD*
Stock Code: 3378

INTERIM REPORT 2011

* For identification purpose only

XIAMEN INTERNATIONAL PORT CO., LTD*
廈門國際港務股份有限公司

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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
LIN Kaibiao *(Chairman)**
MIAO Luping*
FANG Yao
HUANG Zirong
HONG Lijuan

Non-executive Directors
ZHENG Yongen**
CHEN Dingyu**
FU Chengjing
KE Dong

Independent Non-executive Directors
LIU Feng***
ZHEN Hong
HUI Wang Chuen

Supervisors
YAN Tengyun***
LUO Jianzhong
WU Jianliang
WU Weijian
TANG Jinmu
XIAO Zuoping***

Company Secretary
HONG Lijuan

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,
Hong Kong

Auditors
International auditor
PricewaterhouseCoopers
Certified Public Accountants

PRC auditor
PricewaterhouseCoopers Zhong Tian
CPAs Limited Company

Legal Advisers
as to Hong Kong law:
Vincent T. K. Cheung, Yap & Co.

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

* Changed from Non-executive Directors to Executive Directors since 28 February 2011, of which, Mr. LIN Kaibiao was appointed as the Chairman of the Company on the same date
** Changed from Executive Directors to Non-executive Directors since 28 February 2011
*** Newly appointed since 28 February 2011

FINANCIAL HIGHLIGHTS

The unaudited interim consolidated results for the six months ended 30 June 2011

	Six months ended 30 June		
	2011	2010	Change
	RMB'000	RMB'000	RMB'000
Revenues	**1,312,869**	960,519	352,350
Operating profit	**236,577**	188,196	48,381
Profit for the period	**203,789**	158,027	45,762
Profit attributable to owners of the Company	**149,330**	123,302	26,028
Earnings per share for profit attributable to owners of the Company during the period			
— Basic and diluted (in RMB cents)	**5.48**	4.52	0.96

INDEPENDENT REVIEW REPORT

pwc

羅兵咸永道

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 interim financial information set out on pages 5 to 32, which comprises the interim condensed consolidated balance sheet of Xiamen International Port Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive 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 (collectively the "Interim Financial Information"). The Rules Governing the Listing of Securities on 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, 24 August 2011

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Investment properties	6	**50,789**	49,453
Property, plant and equipment	6	**3,135,745**	3,096,962
Land use rights	6	**999,346**	1,010,928
Intangible assets	6	**57,135**	54,257
Interests in associates		**35,831**	34,954
Available-for-sale financial assets		**93,713**	97,365
Deferred income tax assets		**50,303**	52,707
Total non-current assets		**4,422,862**	4,396,626
Current assets			
Inventories		**204,406**	159,314
Accounts and notes receivable	7	**697,193**	581,679
Other receivables and prepayments		**205,203**	196,033
Term deposits with initial term of over three months		**145,565**	84,847
Restricted cash		**52,438**	36,604
Cash and cash equivalents		**1,071,101**	1,154,304
Total current assets		**2,375,906**	2,212,781
Total assets		**6,798,768**	6,609,407
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**2,726,200**	2,726,200
Reserves		**1,081,264**	1,179,987
		3,807,464	3,906,187
Non-controlling interests		**1,008,922**	960,959
Total equity		**4,816,386**	4,867,146

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	10	**282,573**	287,742
Derivative financial instrument		**5,219**	6,355
Deferred government grants and income		**118,368**	121,181
Early retirement benefit obligations		**1,881**	2,328
Deferred income tax liabilities		**21,000**	22,080
Total non-current liabilities		**429,041**	439,686
Current liabilities			
Accounts and notes payable	8	**721,459**	680,365
Other payables and accruals	9	**733,490**	501,589
Borrowings	10	**76,243**	104,486
Taxes payable		**22,149**	16,135
Total current liabilities		**1,553,341**	1,302,575
Total liabilities		**1,982,382**	1,742,261
Total equity and liabilities		**6,798,768**	6,609,407
Net current assets		**822,565**	910,206
Total assets less current liabilities		**5,245,427**	5,306,832

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Revenues	12	**1,312,869**	960,519
Cost of sales		**(1,013,396)**	(709,463)
Gross profit		**299,473**	251,056
Other income		**19,110**	19,459
Other gains — net		**3,964**	187
Selling and marketing expenses		**(12,556)**	(14,041)
General and administrative expenses		**(73,414)**	(68,465)
Operating profit	13	**236,577**	188,196
Finance income	14	**8,717**	3,752
Finance costs	14	**(10,098)**	(9,032)
		235,196	182,916
Share of post-tax profits of associates		**1,044**	640
Profit before income tax expense		**236,240**	183,556
Income tax expense	15	**(32,451)**	(25,529)
Profit for the period		**203,789**	158,027
Profit attributable to:			
Owners of the Company		**149,330**	123,302
Non-controlling interests		**54,459**	34,725
		203,789	158,027
Earnings per share for profit attributable to owners of the Company during the period — Basic and diluted (in RMB cents)	17	**5.48**	4.52
Dividend	16	**—**	109,048

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2011 RMB'000	 2010 RMB'000
Profit for the period	**203,789**	158,027
Other comprehensive loss, net of tax		
— Fair value losses on available-for-sale financial assets, net of tax	**(2,695)**	(53,677)
Total comprehensive income for the period	**201,094**	104,350
Total comprehensive income attributable to:		
— Owners of the Company	**146,635**	69,625
— Non-controlling interests	**54,459**	34,725
	201,094	104,350

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010	2,726,200	(262,442)	1,407,305	3,871,063	916,790	4,787,853
Comprehensive income						
Profit for the period	–	–	123,302	123,302	34,725	158,027
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	–	(53,677)	–	(53,677)	–	(53,677)
— Gross	–	(71,570)	–	(71,570)	–	(71,570)
— Related deferred income tax	–	17,893	–	17,893	–	17,893
Total comprehensive (loss)/income for the period ended 30 June 2010	–	(53,677)	123,302	69,625	34,725	104,350
Transactions with owners						
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	250	250
2009 final dividend (Note 16)	–	–	(136,310)	(136,310)	–	(136,310)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(20,539)	(20,539)
Balance at 30 June 2010	2,726,200	(316,119)	1,394,297	3,804,378	931,226	4,735,604
Balance at 1 January 2011	**2,726,200**	**(274,327)**	**1,454,314**	**3,906,187**	**960,959**	**4,867,146**
Comprehensive income						
Profit for the period	**–**	**–**	**149,330**	**149,330**	**54,459**	**203,789**
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	**–**	**(2,695)**	**–**	**(2,695)**	**–**	**(2,695)**
— Gross	**–**	**(3,593)**	**–**	**(3,593)**	**–**	**(3,593)**
— Related deferred income tax	**–**	**898**	**–**	**898**	**–**	**898**
Total comprehensive (loss)/income for the period ended 30 June 2011	**–**	**(2,695)**	**149,330**	**146,635**	**54,459**	**201,094**
Transactions with owners						
Capital contribution from non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**2,000**	**2,000**
2010 final dividend (Note 16)	**–**	**–**	**(245,358)**	**(245,358)**	**–**	**(245,358)**
Dividends paid to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**(8,496)**	**(8,496)**
Balance at 30 June 2011	**2,726,200**	**(277,022)**	**1,358,286**	**3,807,464**	**1,008,922**	**4,816,386**

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash generated from operating activities	**137,633**	275,807
Net cash used in investing activities	**(165,205)**	(67,417)
Net cash used in financing activities	**(54,081)**	(172,325)
Net (decrease)/increase in cash and cash equivalents	**(81,653)**	36,065
Cash and cash equivalents at beginning of period	**1,154,304**	806,557
Exchange losses on cash and cash equivalents	**(1,550)**	(877)
Cash and cash equivalents at end of period	**1,071,101**	841,745

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

1. General information

Xiamen International Port Co., Ltd. (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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 19 December 2005.

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

This unaudited interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This unaudited interim condensed consolidated financial information was approved for issue by the Board of Directors (the "Board") of the Company on 24 August 2011.

2. Basis of preparation

The unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2011 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 interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010 (the "Annual Financial Statements"), which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3. Accounting policies

Except as described below, the accounting policies adopted in the unaudited interim condensed consolidated financial information are consistent with those adopted and described in the Annual Financial Statements.

3. Accounting policies (Continued)

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

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2011 and adopted by the Group

The Group has adopted the following new standards and amendments to existing standards which are currently relevant for the Group's business and mandatory for the first time for the financial year beginning 1 January 2011:

- The improvement related to HKAS 1 "Presentation of financial statements" in the third annual improvement project to HKFRSs issued by the HKICPA in May 2010 (the "Third Improvement Project") confirms entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item. This improvement has no impact on the Group.

- The improvement related to HKAS 27 "Consolidated and separate financial statements" in the Third Improvement Project clarifies that the consequential amendments from HKAS 27 made to HKAS 21, "the effect of changes in foreign exchange rates", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures" apply retrospectively since the date that the entity applies HKAS 27. This improvement has no impact on the Group.

- The improvement related to HKAS 34 "Interim financial reporting" in the Third Improvement Project is an amendment which emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The improvement only results in additional disclosures.

- The improvement related to HKFRS 3 (Revised) "Business combinations" in the Third Improvement Project clarifies that:

  — entities should apply the rules in HKFRS 3 (Revised) (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3 (Revised).

  — only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

  — the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award.

  This improvement has no impact on the Group.

3. Accounting policies (Continued)

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2011 and adopted by the Group (Continued)

- The improvement related to HKFRS 7 "Financial instruments: Disclosures" in the Third Improvement Project clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. This improvement has no impact on the Group.

- The amendment to HKAS 24 (Revised), "Related party disclosures", introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — the name of the government and the nature of their relationship; and

  — the nature and amount of any individually-significant transactions; and

  — the extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

  The revised standard has been early adopted by the Group for the year ended 31 December 2010 and only impacts the disclosure information and does not have any significant impact on the Group's financial statements.

The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Disclosure and Presentation — Classification of Rights Issue	1 February 2010
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters	1 July 2010
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

3. Accounting policies (Continued)

(a) New standards, amendments and interpretations to existing standards which are effective for accounting periods beginning on or after 1 January 2011 and adopted by the Group (Continued)

The following improvements in the Third Improvement Project are effective in the financial year of 2011, but are not currently relevant for the Group:

HKFRS 1	First Time Adoption of Hong Kong Financial Reporting Standards
HK(IFRIC)-Int 13	Customer Loyalty Programmes

(b) Standards, amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted

The HKICPA has also issued certain new/revised standards, amendments or interpretations to existing standards (collectively the "New or Revised HKFRSs"). The New or Revised HKFRSs are not yet effective for the financial year beginning 1 January 2011.

The Group has not early adopted the New or Revised HKFRSs in the unaudited interim condensed consolidated financial information and will adopt the New or Revised HKFRSs in accordance with their respective effective dates. The Group is assessing the impact of the New or Revised HKFRSs but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted.

4. Estimates

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

In preparing these interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's Annual Financial Statements, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exception items.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Financial Statements.

5. Financial risk management (Continued)

5.1 Financial risk factors (Continued)

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

5.2 Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements — for example, currency restrictions.

The Group's funding requirements primarily arise from purchases of port infrastructure and loading machinery and repayments of bank borrowings. The Group finances its working capital requirements through a combination of funds generated from operations and additional bank borrowings.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 30 June 2011				
Bank borrowings	**94,132**	**26,917**	**78,514**	**272,440**
Accounts and notes payable	**721,459**	**—**	**—**	**—**
Other payables and accruals	**733,490**	**—**	**—**	**—**
Derivative financial instrument	**—**	**5,219**	**—**	**—**
	1,549,081	**32,136**	**78,514**	**272,440**
At 31 December 2010				
Bank borrowings	121,330	23,555	71,273	290,666
Accounts and notes payable	680,365	—	—	—
Other payables and accruals	501,589	—	—	—
Derivative financial instrument	—	—	6,355	—
	1,303,284	23,555	77,628	290,666

5. Financial risk management (Continued)

5.2 Liquidity risk (Continued)

The Group's trading derivative instrument with a negative fair value has been included at its fair value of RMB5,219,000 (31 December 2010: RMB6,355,000) within the time bucket between 1 and 2 years (31 December 2010: between 2 and 5 years). The contractual maturity is not essential for an understanding of the timing of the cash flows. The contract is managed on a net-fair value basis rather than by maturity date.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	**89,246**	**—**	**—**	**89,246**
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	**—**	**(5,219)**	**—**	**(5,219)**

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	92,839	—	—	92,839
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	—	(6,355)	—	(6,355)

During the six months ended 30 June 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the six months ended 30 June 2011, there were no reclassifications of financial assets.

6. Capital expenditure

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

	Unaudited				
	Investment properties RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
Net book amount as at 1 January 2011	**49,453**	**3,096,962**	**1,010,928**	**54,257**	**4,211,600**
Additions	**—**	**140,452**	**—**	**5,147**	**145,599**
Disposals	**—**	**(4,575)**	**—**	**(15)**	**(4,590)**
Transfer to investment properties	**2,005**	**(2,005)**	**—**	**—**	**—**
Depreciation and amortisation charge	**(669)**	**(95,089)**	**(11,582)**	**(2,254)**	**(109,594)**
Net book amount as at 30 June 2011	**50,789**	**3,135,745**	**999,346**	**57,135**	**4,243,015**
Net book amount as at 1 January 2010	32,902	3,174,502	1,034,575	57,441	4,299,420
Additions	—	33,751	—	212	33,963
Disposals	—	(309)	—	—	(309)
Transfer to intangible assets	—	(15)	—	15	—
Depreciation and amortisation charge	(422)	(91,350)	(11,726)	(1,966)	(105,464)
Net book amount as at 30 June 2010	32,480	3,116,579	1,022,849	55,702	4,227,610

7. Accounts and notes receivable

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Accounts receivable	**641,686**	572,603
Less: provision for impairment	**(30,759)**	(31,318)
	610,927	541,285
Due from fellow subsidiaries (Note 19(b))	**7,869**	1,666
Due from other related parties (Note 19(b))	**8,860**	13,538
Notes receivable	**69,537**	25,190
	697,193	581,679

7. Accounts and notes receivable (Continued)

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 histories. Revenues from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

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

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Less than 6 months	**641,655**	512,113
6 months to 1 year	**28,541**	40,328
1 year to 2 years	**26,383**	21,029
2 years to 3 years	**15,344**	22,576
Over 3 years	**16,029**	16,951
	727,952	612,997
Less: provision for impairment	**(30,759)**	(31,318)
	697,193	581,679

8. Accounts and notes payable

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Accounts payable	**490,051**	460,223
Due to parent company (Note 19(b))	**4,122**	—
Due to fellow subsidiaries (Note 19(b))	**10,471**	5,981
Notes payable	**216,815**	214,161
	721,459	680,365

8. Accounts and notes payable (Continued)

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

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Within 1 year	**720,539**	677,805
1 year to 2 years	**654**	2,250
2 years to 3 years	**—**	285
Over 3 years	**266**	25
	721,459	680,365

9. Other payables and accruals

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Due to parent company (Note 19(b))	**8,783**	6,161
Due to fellow subsidiaries (Note 19(b))	**14,015**	20,035
Due to other related parties (Note 19(b))	**48,793**	41,371
Payables for purchases of property, plant and equipment and construction-in-progress	**89,155**	51,966
Salary and welfare payables	**81,145**	119,747
Customer deposits	**130,091**	105,707
Accrued expenses	**12,495**	9,623
Dividend payable to		
— shareholders of the Company	**248,378**	3,020
— non-controlling shareholders of subsidiaries (Note 19(b))	**4,106**	19,879
Other payables	**96,529**	124,080
	733,490	501,589

10. Borrowings

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Non-current		
Long-term bank borrowings	**282,573**	287,742
Current		
Short-term bank borrowings	**67,749**	96,097
Long-term bank borrowings — current portion	**8,494**	8,389
	76,243	104,486
Total borrowings	**358,816**	392,228
Representing:		
— guaranteed (a)	**68,503**	71,970
— secured (b)	**29,616**	26,298
— unguaranteed and unsecured	**260,697**	293,960
Total borrowings	**358,816**	392,228

(a) As at 30 June 2011, a bank borrowing of RMB68,503,000 (31 December 2010: RMB71,970,000) is guaranteed by a state-owned bank.

(b) As at 30 June 2011, a bank borrowing of RMB18,972,000 is secured by letters of credit (31 December 2010: RMB26,298,000) and a bank borrowing of RMB10,644,000 (31 December 2010: Nil) is secured by land use right.

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
At 1 January	**392,228**	384,753
Additions	**104,175**	11,000
Repayments	**(135,988)**	(98,431)
Exchange differences	**(1,599)**	(415)
At 30 June	**358,816**	296,907

11. Share capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total RMB'000
As at 30 June 2011 and 31 December 2010	1,739,500	986,700	2,726,200

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 RMB. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

During the six months ended 30 June 2011, there was no movement in the share capital of the Company.

12. Segment information

Management meetings are held on regular basis to make strategic decisions. Management has determined the operating segments based on the reports reviewed in the management meetings.

Management considers the business from service/product perspective and assesses the performance of 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. As all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues 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. As such, management did not evaluate segment on geographical basis.

12. Segment information (Continued)

The segment information provided to management for the reportable segments for the six months ended 30 June 2011 is as follows:

	Six months ended 30 June 2011 (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 segment revenues	388,020	85,303	370,730	152,153	370,830	1,367,036
Inter-segment revenues	–	–	(54,167)	–	–	(54,167)
Revenues	388,020	85,303	316,563	152,153	370,830	1,312,869
Operating profit	120,040	2,873	95,727	5,591	12,346	236,577
Finance income						8,717
Finance costs						(10,098)
						235,196
Share of post-tax profits of associates	–	–	842	202	–	1,044
Profit before income tax expense						236,240
Income tax expense						(32,451)
Profit for the period						203,789
Other information						
Depreciation	53,755	13,350	23,728	4,725	200	95,758
Amortisation	8,248	2,105	3,449	25	9	13,836
Provision for/(reversal of) impairment of						
– inventories	–	–	–	–	(43)	(43)
– receivables and advance to suppliers	–	131	507	(1,547)	(4,601)	(5,510)

12. Segment information (Continued)

The segment information provided to management for the reportable segments for the six months ended 30 June 2010 is as follows:

	Six months ended 30 June 2010 (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 segment revenues	354,474	76,176	304,991	90,528	170,893	997,062
Inter-segment revenues	–	–	(36,543)	–	–	(36,543)
Revenues	354,474	76,176	268,448	90,528	170,893	960,519
Operating profit/(loss)	110,870	(1,439)	78,354	(6,072)	6,483	188,196
Finance income						3,752
Finance costs						(9,032)
						182,916
Share of post-tax profits/(losses) of associates	–	–	649	(9)	–	640
Profit before income tax expense						183,556
Income tax expense						(25,529)
Profit for the period						158,027
Other information						
Depreciation	52,216	15,278	19,386	4,714	178	91,772
Amortisation	8,192	2,222	3,231	18	29	13,692
Provision for/(reversal of) impairment of						
– inventories	–	–	–	–	1,179	1,179
– receivables	–	537	77	2,711	(223)	3,102

12. Segment information (Continued)

The segment information provided to management for the reportable segments as at 30 June 2011 and 31 December 2010 is 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
Unaudited						
As at 30 June 2011						
Segment assets	**3,810,973**	**405,196**	**1,760,170**	**270,714**	**407,699**	**6,654,752**
Include:						
Interests in associates	**–**	**–**	**34,705**	**1,126**	**–**	**35,831**
Additions to non-current assets	**61,289**	**4,110**	**78,779**	**609**	**812**	**145,599**
Segment liabilities	**631,510**	**41,193**	**529,892**	**150,315**	**222,288**	**1,575,198**
Audited						
As at 31 December 2010						
Segment assets	3,735,899	423,273	1,734,148	236,673	329,342	6,459,335
Include:						
Interests in associates	–	–	33,862	1,092	–	34,954
Additions to non-current assets	18,043	10,801	122,961	4,074	37	155,916
Segment liabilities	385,652	26,444	545,118	122,729	225,520	1,305,463

Management assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the result for each operating segment that is reviewed by management. Other information provided, except as noted below, to management is measured in a manner consistent with that in the unaudited interim condensed consolidated financial information.

Segment assets mainly exclude deferred income tax assets and available-for-sale financial assets. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable, derivative financial instrument and borrowings. These are part of the reconciliation to total balance sheet liabilities.

12. Segment information (Continued)

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the management meeting is measured in a manner consistent with that in the unaudited interim condensed consolidated income statement.

Reportable segments' assets are reconciled to total assets as follows:

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Total segment assets	**6,654,752**	6,459,335
Deferred income tax assets	**50,303**	52,707
Available-for-sale financial assets	**93,713**	97,365
	6,798,768	6,609,407

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Total segment liabilities	**1,575,198**	1,305,463
Deferred income tax liabilities	**21,000**	22,080
Taxes payable	**22,149**	16,135
Derivative financial instrument	**5,219**	6,355
Borrowings	**358,816**	392,228
	1,982,382	1,742,261

13. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Crediting:		
Fair value gain on derivative financial instrument	**1,136**	—
Dividend income	**129**	340
Gain on disposal of property, plant and equipment	**2,828**	204
Reversal of impairment of		
— inventories	**43**	—
— receivables and advance to suppliers	**6,148**	223
Charging:		
Cost of inventories sold/consumed	**557,252**	292,718
Depreciation of		
— property, plant and equipment	**95,089**	91,350
— investment properties	**669**	422
Amortisation of		
— land use rights	**11,582**	11,726
— intangible assets	**2,254**	1,966
Fair value loss on derivative financial instrument	**—**	17
Provision for impairment of		
— inventories	**—**	1,179
— receivables	**638**	3,325

14. Finance income and costs

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest income	**7,087**	3,341
Net foreign exchange gain	**1,630**	411
	8,717	3,752
Interests on bank borrowings	**(10,612)**	(9,672)
Less: amounts capitalised	**514**	640
	(10,098)	(9,032)
Finance costs, net	**(1,381)**	(5,280)

14. Finance income and costs (Continued)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowings for the six months ended 30 June 2011 was 5.72% (2010: 4.88%) per annum.

15. Income tax expense

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 six months ended 30 June 2011.

The Group is subject to the corporate income tax according the Corporate Income Tax Law of the PRC as approved by the National People's Congress. As the current year is the fifth year which the Company enjoys the corporate income tax exemption, the applicable corporate income tax rate for the Company is nil for the six months ended 30 June 2011. The Company's subsidiary, China Ocean Shipping Agency (Xiamen) Co., Ltd. ("Agency") obtained the certificate of qualifying as "advanced technology company" in 2011 and thus is subject to 15% corporate income tax rate for the six months ended 30 June 2011. The Company's jointly controlled entity, Xiamen Haicang International Container Terminals Ltd. ("XHICT") enjoys the 50% reduction in corporate income tax for the first year in 2011 and therefore the applicable corporate income tax rate for XHICT is 12.5% for the six months ended 30 June 2011. For the six months ended 30 June 2011, the applicable tax rate for the Company's subsidiaries other than Agency and jointly controlled entities other than XHICT is 24% (2010: 22%).

The amount of income tax expense charged to the unaudited interim condensed consolidated income statement represents:

	Unaudited Six months ended 30 June **2011** **RMB'000**	 2010 RMB'000
PRC corporate income tax expense	**30,229**	25,719
Deferred income tax charge/(credit)	**2,222**	(190)
	32,451	25,529

16. Dividend

At a meeting held on 25 March 2011, the Board proposed a final dividend (the "2010 Final Dividend") of RMB9 cents per share (tax inclusive) for the year ended 31 December 2010, which was subsequently approved at the annual general meeting on 7 June 2011. The 2010 Final Dividend has been reflected as an appropriation of retained earnings for the six months ended 30 June 2011.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (same period of 2010: RMB109,048,000).

17. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of the Company's shares in issue during the period.

	Unaudited Six months ended 30 June 2011	2010
Profit attributable to owners of the Company (in RMB)	**149,330,000**	123,302,000
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)	**5.48**	4.52

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

18. Capital commitments

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred:		
— the Group	**178,562**	105,474
— jointly controlled entities	**38,202**	7,714
	216,764	113,188

Committed capital expenditure as at 30 June 2011 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, acquisitions of vessels and renovation of buildings. These commitments were entered into by the Group with its suppliers before 30 June 2011 but the related capital expenditure had not been incurred as at that date.

19. Significant related party transactions

(a) During the six months ended 30 June 2011 and 30 June 2010, the Group had the following significant transactions with related parties:

		Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Transactions with the parent company			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**18,258**	16,153
Transactions with fellow subsidiaries			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**2,412**	2,016
Comprehensive service fee	(ii)	**11,790**	11,726
Labour services	(iii)	**12,136**	10,002
Others			
Purchases of property, plant and equipment	(iv)	**5,915**	3,738
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(v)	**35,576**	29,550

(i) Operating lease for land, port facilities and office premises was determined based on the terms stipulated in a lease agreement entered into between the parties involved.

(ii) The comprehensive services provided to the Group were determined based on the terms stipulated in the comprehensive services agreement.

(iii) 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 were stipulated in Master Labour Service Agreement as entered into among the parties involved.

(iv) The purchases of property, plant and equipment were for berth construction services, building construction services and other related port engineering services. The terms were mutually agreed by the parties involved.

(v) The loading and unloading services rendered to the related parties were carried out on terms that were mutually agreed among the contracted parties.

19. Significant related party transactions (Continued)

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

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Balances with the parent company		
Other receivables and prepayments	**1,484**	415
Accounts payable	**4,122**	—
Other payables and accruals	**8,783**	6,161
Balances with fellow subsidiaries		
Accounts receivable	**7,869**	1,666
Other receivables and prepayments	**2,524**	6,008
Accounts payable	**10,471**	5,981
Other payables and accruals	**14,015**	20,035
Balances with associates		
Other receivables and prepayments	**5,861**	6,013
Balance with non-controlling shareholders of subsidiaries		
Dividend payable	**4,106**	19,879
Balances with other related parties		
Accounts receivable	**8,860**	13,538
Other payables and accruals	**48,793**	41,371

(c) Key management compensation:

	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,459**	1,561
Contributions to pension plans	**159**	145
	1,618	1,706

20. Collateral securities for mitigating credit risks

As at 30 June 2011, certain accounts receivable and advance to suppliers (collectively the "Assets") in connection with the Group's trading business are exposed to recoverability risk. To mitigate the credit risk associated with the Assets, the Group has obtained certain property, plant and equipment and land use rights (collectively the "Collaterals") as the securities for the Assets. After assessing the estimated value of the Collaterals, the aggregate impairment provision on the Assets amounted to RMB11,600,000 as at 30 June 2011 (31 December 2010: RMB20,123,000).

As at 30 June 2011, the gross amounts and the impairment provisions for the Assets are as follows:

	Gross amounts RMB'000	**Impairment provisions** RMB'000
Accounts receivable	10,453	(8,600)
Advance to suppliers	8,202	(3,000)
	18,655	(11,600)

21. Contingent liabilities

As at 30 June 2011, the Group had no significant contingent liability (31 December 2010: Nil).

22. Event occurring after the balance sheet date

On 25 July 2011, the Company entered into an Equity Transfer Framework Agreement with APM Terminals Xiamen Company Limited ("APMT") in respect of Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal"), the term of the agreement is six months. According to the intended agreement, the Company intended to acquire 25% equity interest of Songyu Terminal held by APMT. The consideration will be calculated by the value of shareholder interests of Songyu Terminal valued by a valuation institution recognised by the State-Owned Assets Supervision and Administration Commission of Xiamen Municipal Government ("Xiamen SASAC"), and is subject to the approval from Xiamen SASAC. During the term of the agreement, both parties will further negotiate on the formal equity transfer agreement, joint venture contract amendments and the amendments to the Articles of Association of Songyu Terminal, and complete all legal procedures of equity transfer in accordance with relevant regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operating Results

Following the rapid growth of the PRC economy and trade last year, the growth of import and export trade slowed down in the first half of 2011 but the overall economy exhibited a stabilizing trend, with a growth of 9.6% in the gross domestic product over the corresponding period of last year. Benefiting from the continuous growth of the PRC economy and trade, the cargo throughput in various major PRC ports including Xiamen port showed a growth of varying degree. During the first half of the year, the Group grasped market trend and made flexible allocation of resources, strengthened customer management and strategic cooperation and enhanced marketing initiatives. We were striving to increase business revenue by making our best efforts to promote market development. Meanwhile we intensified the concept of refined management by implementing strict control over operating costs, so as to optimize the cost structure and enhance the Company's efficiency on an on-going basis.

For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB1,312,869,000, representing an increase of approximately 36.7% from approximately RMB960,519,000 in the corresponding period in 2010. Profit attributable to owners of the Company amounted to approximately RMB149,330,000, representing an increase of approximately 21.1% as compared to approximately RMB123,302,000 of the corresponding period in 2010. Basic and diluted earnings per share attributable to owners of the Company amounted to approximately RMB5.48 cents (2010: approximately RMB4.52 cents). The increase in revenue was due to revenue increases in the Group's container loading and unloading and storage business, bulk/general cargo loading and unloading business, ancillary value-added port services, manufacturing and selling of building materials and trading of industrial products.

Business Review

The Group is engaged in port terminal businesses comprising container ports operation, bulk/general cargo ports operations and ancillary value-added port services at 16 berths (including the berth No. 1 of Haicang port area) in the Dongdu and Haicang port areas in Xiamen. In addition, the Group also operates 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

During the first half of 2011, the Group's container throughput had recorded a mild growth as compared to the corresponding period in 2010. Details of the container throughput of the Group are as follows:

	Container throughput Six months ended 30 June		
	2011 (TEUs)	2010 (TEUs)	Increase/ (decrease)
The Haitian terminal, Hairun terminal and Berth No. 1 of Dongdu Terminal of the Group (international and domestic trade)#	**1,299,283**	1,232,566	5.41%
XICT and XHICT (international trade)*	**518,523**	529,260	(2.03%)
Total throughput	**1,817,806**	1,761,826	3.18%

During the period under review, due to the business development requirement, Hairun terminal leased and operated the berth No. 6 in Haicang port area of Xiamen port. Therefore, in terms of the operating statistics set out herein, related operating figures in Hairun terminal also includes the figures of berth No. 6 in Haicang port area of Xiamen port, which are consolidated in the calculation.

* Xiamen International Container Terminals Ltd. ("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 51% interests 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 set out herein, such as those in relation to TEUs and cargo throughput, the Group has included 100% of XICT's figures. In addition, since 1 September 2008, due to the commencement of operations in unification between XICT and XHICT, the relevant operation information of XICT has also contained the information of XHICT, which are consolidated in the calculation.

As driven by the recovery growth of international trade, the Group's container business recorded a significant growth during the corresponding period last year. During the first half of 2010, the container throughput base was relatively large, resulting in a slow growth of the Group's container business in the first half of the year. Of which, the container volume of the transshipment of international routes and domestic branch routes of the Group as well as the container throughput of XICT declined under the impact of the earthquake and the resulting nuclear radiation leakage incident in Japan as well as the adjustment of route policy of shipping companies. Furthermore, according to the statistics issued by the Bureau of Commerce in Xiamen, the import and export trade of processed goods in the Xiamen area recorded a growth of merely 12.4%, much lower than the average level in the PRC and Fujian province. This was also one of the main reasons for the small growth in foreign trade container of Xiamen port during the first half of the year.

In response to the above circumstances, the Group has taken active measures to further reinforce the connection and communication with the relevant shipping company customers of XICT and entice them to rapidly resume the routes which were temporarily suspended from calling at XICT due to the nuclear radiation incident. At the same time, the Group has commenced the upgrading work of relevant quay crane equipments in XICT and XHICT has purchased 3 sets of new gantry cranes. It is expected the terminal will further enhance its service efficiency after the completion of upgrading the above quay crane equipments as well as the delivery of new gantry cranes in September 2011, which will provide favorable conditions to further attract new routes and sources of cargoes.

Bulk/General Cargo Port Business

In the first half of 2011, the Group's bulk/general cargo business handled a throughput of 3,489,242 tonnes. The details are as follows:

	Bulk/general cargo throughput Six months ended 30 June		
	2011 (Tonnes)	2010 (Tonnes)	Increase/ (decrease)
Berths No. 2 to No. 4 of Dongdu Terminal*	**3,333,770**	2,990,377	11.48%
XICT and XHICT	**155,472**	258,280	(39.80%)
Total throughput	**3,489,242**	3,248,657	7.41%

* Dongdu Terminal has leased some areas of berth No. 8 (Mingda Terminal) in Haicang port area of Xiamen port since November 2009 for the purpose of operating loading and unloading and transshipment businesses. Accordingly, in terms of the operating statistics set out herein, the related operating figures of bulk/general cargo of Dongdu Terminal also includes the figures of Mingda Terminal, which are consolidated in the calculation.

In the first half of the year, the Group's bulk/general cargo port business increased by 7.41% as compared to the first half of 2010, showing a general overall performance. Of which, Dongdu Terminal achieved better performance in overall business development after leasing berth No. 8 in Haicang port area. XICT was not able to conduct general cargo business for domestic trade this year as restricted by relevant policies after customs-closing operations of the Haicang Bonded Port Area. Furthermore, due to the impact of the earthquake in Japan, imported steel business recorded a temporary significant decrease, therefore, general cargo business of this port declined drastically in the first half of the year.

In response to the above circumstances, the Group will further increase the utilization of berth No. 8 in Haicang port area, and strive to undertake relevant general cargo business for domestic trade from XICT so as to cover the loss in cargo capacity. It is estimated that the imported steel business of XICT will increase gradually due to the fading impact of the Japanese earthquake.

Ancillary Value-added Port Services

Cargo and container throughput handled by ports of Xiamen continuously increased, driving the stable growth of the Group's ancillary value-added port services segment. In the first half of 2011, the Group's major businesses, such as shipping agency, tallying, tugboat berthing and unberthing, achieved satisfactory performance, resulting in gradual growth in operating profits. Of which, tugboat berthing and unberthing business expanded to offport new markets such as Gulei and Quanzhou with remarkable progress. In response to the market needs, the Group has intended to continue its investment in building two tugboats after the arrival and commencement of operations of the three newly purchased tugboats. During the reporting period, the Group actively implemented expansion strategy in hinterland and the overall sales and marketing strategy by extending its network distribution for cargo canvassing in port hinterland and investing in the construction of "land-based port" in areas including Sanming city in Fujian province and Ji'an city in Jiangxi province. The Group also strived to develop the sea-rail joint transportation operations, thus it handled a total container volume of 12,648

TEUs in respect of sea-rail joint transportation in the first half year. The bonded logistics business of the Group developed smoothly. The Xiamen Bonded Logistics Park (the "Park") recorded steady development in business including "One Day Customs Clearance", tenancy of warehouse and on-site assembly. The informatization level of relevant businesses in the Park was constantly improved. The Group has commenced the construction of bonded logistics warehouse that is jointly constructed with YCH Group in Singapore.

Trading Business of Industrial Products

In the first half of 2011, the Group adhered to the operation philosophy of "boosting the port economy by trading, promoting the trading business by port operation, and integrating the port and trading businesses" for trading business of industrial products. It mainly operated the domestic trade business of bulk raw materials under strict risks control by taking advantage of the Group's port business as a platform. During the period under review, the prudent business operations had brought more cargo sources to the Group in an effective manner and enhanced the throughput of the Group's terminals. Furthermore, with the fading impact of the global financial crisis, the Group has effectively resolved the relevant overdue trade contracts disrupted due to the impact of the financial crisis, and capital recovery risk of the relevant business was gradually under control.

Financial Review

Revenue

Revenue from the Group increased by approximately 36.7% from approximately RMB960,519,000 for the six months ended 30 June 2010 to approximately RMB1,312,869,000 for the six months ended 30 June 2011. The increase was mainly due to revenue increases in trading of industrial products, manufacturing and selling of building materials, ancillary value-added port services, container loading and unloading and storage business and bulk/general cargo loading and unloading business.

Revenue by business sector

Business	Six months ended 30 June **2011** **(RMB'000)**	 2010 (RMB'000)	Increase
Container loading and unloading and storage business	**388,020**	354,474	33,546
Bulk/general cargo loading and unloading business	**85,303**	76,176	9,127
Ancillary value-added port services	**316,563**	268,448	48,115
Manufacturing and selling of building materials	**152,153**	90,528	61,625
Trading of industrial products	**370,830**	170,893	199,937
Total	**1,312,869**	960,519	352,350

The reasons for the change of revenue of each business sector for the six months ended 30 June 2011 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 2011 presented a mild increase. The proportion of the throughput of international transshipment container with a lower tariff in the total container throughput declined, leading to the increase of the average revenue of single container. As a result, the revenue of container loading and unloading and storage business increased accordingly.

2. The total throughput of the Group's bulk/general cargo increased, which resulted in the revenue increase of the bulk/general cargo loading and unloading business.

3. The increased income of the ancillary value-added port service of the Group was mainly due to the increase of cargo throughput handled by Xiamen port.

4. The market demand for concrete was better as compared to the same period of last year. The increase in the selling price of concrete was driven by the rise in the price of raw materials, leading to the revenue increase in the manufacturing and selling of building materials of the Group.

5. The Group actively developed the trading business of industrial products which was related to the port logistic business. In this period, the Group focused on self-operated business in order to develop its own customers and vendors and to take its own initiative on the market. Therefore, the volume of self-operated business increased significantly and its revenue was presented in gross amount, which resulted in the revenue increase of the sector.

Cost of Sales

Cost of sales of the Group increased by approximately 42.8% from approximately RMB709,463,000 for the six months ended 30 June 2010 to approximately RMB1,013,396,000 for the six months ended 30 June 2011. Such increase was primarily due to the increase in cost of inventories sold/consumed and employee benefit expenses.

- Cost of inventories sold/consumed of the Group increased by approximately 90.4% from approximately RMB292,718,000 for the six months ended 30 June 2010 to approximately RMB557,252,000 for the six months ended 30 June 2011. Such increase was mainly due to the increase in the self-operated trading business volume of industrial products. The revenue of self-operated business was presented in gross amount and therefore cost of inventories sold increased accordingly. The increased cargo throughput and fuel consumed also led to the increased cost.

- Employee benefit expenses increased by approximately 10.0% from approximately RMB171,440,000 for the six months ended 30 June 2010 to approximately RMB188,663,000 for the six months ended 30 June 2011. Such increase was mainly due to the increase in the overall business volume of the Group for the six months ended 30 June 2011, and the average salaries per person and bonus paid related to the business volume increased accordingly.

Liquidity, Financial Resources and Capital Structure

The Group mainly used its cash for operating costs, construction of terminals and berths and repayment of loans. As at 30 June 2011, the Group's cash and cash equivalents amounted to approximately RMB1,071,101,000 (31 December 2010: approximately RMB1,154,304,000).

Borrowings of the Group decreased by approximately 8.5% from approximately RMB392,228,000 as at 31 December 2010 to approximately RMB358,816,000 as at 30 June 2011, which was mainly due to repayment of bank loans by the Group.

As at 30 June 2011, the Group's guaranteed loan amounted to approximately RMB68,503,000, which was guaranteed by a state-owned bank. The Group's secured loans amounted to approximately RMB29,616,000, of which approximately RMB18,972,000 was secured by letters of credit and approximately RMB10,644,000 was secured by land use right.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the interim condensed consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the interim condensed consolidated balance sheet plus net debt.

The gearing ratios as at 30 June 2011 and 31 December 2010 were as follows:

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Total borrowings	**358,816**	392,228
Less: Cash and cash equivalents	**(1,071,101)**	(1,154,304)
Net cash	**(712,285)**	(762,076)
Total equity	**4,816,386**	4,867,146
Total capital	**4,104,101**	4,105,070
Gearing ratio (%)	**Not applicable**	Not applicable

As at 30 June 2011, the Group had a net cash position.

Other Financial Information

As at 30 June 2011, the Group's available-for-sale financial assets decreased from approximately RMB97,365,000 to approximately RMB93,713,000 as compared with 31 December 2010. The decrease was mainly contributed by the decrease in fair value of securities being held by the Group.

Capital Expenditure Commitments

As at 30 June 2011, the Group's capital expenditure commitments amounted to approximately RMB216,764,000, primarily consisting of expenditure on port terminal infrastructure, and purchase of equipment and vessels.

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 2011.

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 arise.

Contingent Liabilities

As at 30 June 2011, the Group has no significant contingent liabilities.

Employees

As of 30 June 2011, the Group had 5,424 employees, a decrease of 33 employees over 31 December 2010. Employee remunerations and benefits are determined by their job nature, individual performance and experience as well as the prevailing practices of the industry. 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. The corporate annuity improves the post-retirement pension benefits of employees after their retirement and the employees may enjoy holidays such as paid leave in accordance with relevant provisions.

Establishment of New Companies

On 27 January 2011, Xiamen Port Development Co., Ltd. ("XPD"), a subsidiary of the Company, established an equity joint venture Sanming Lugang Logistics Limited Company (三明陸港物流有限公司) with Fujian Province Sanming Modern Logistics Industry Development and Construction Co., Ltd. (福建省三明現代物流產業建設有限公司). For details, please refer to Management Discussion and Analysis in the 2010 Annual Report of the Company.

On 10 June 2011, XPD established Ji'an Lugang Logistics Co., Ltd. ("Ji'an Logistics") (吉安陸港物流有限公司(「吉安物流」)) in Ji'an city, Jiangxi province to invest in the construction and operation of Ji'an Lugang (吉安陸港) and to operate businesses including international/domestic freight forwarding and agency business, warehousing services and logistics information services. The registered capital of Ji'an Logistics is RMB10 million and XPD has 100% interest in the company. The relevant industrial and commercial registration have been completed.

On 1 June 2011, XPD established XPD Zhangzhou Branch in Gulei Port Economic Development Zone in Zhangzhou city, Fujian province, to engage in businesses such as loading and unloading of cargoes, warehousing, management of logistic supply chain, planning and consulting of overall logistic solutions, intermediate transfer and multi-mode joint delivery service (excluding transportation), management of logistics information in the port areas including Gulei Port in Zhangzhou city. The relevant industrial and commercial registration have been completed.

Subsequent Events

On 25 July 2011, the Company entered into an Equity Transfer Framework Agreement with APMT in respect of Songyu Terminal, the term of the agreement is six months. According to the intended agreement, the Company intended to acquire 25% equity interest of Songyu Terminal held by APMT. The consideration will be calculated by the value of shareholder interests of Songyu Terminal valued by a valuation institution recognised by Xiamen SASAC, and is subject to the approval from Xiamen SASAC. During the term of the agreement, both parties will further negotiate on the formal equity transfer agreement, joint venture contract amendments and the amendments to the Articles of Association of Songyu Terminal, and complete all legal procedures of equity transfer in accordance with relevant regulations. As the above transaction intention is price-sensitive information, the Company had made relevant public announcement as required on 25 July 2011.

Prospects and Outlook

According to the relevant valuation report published by International Monetary Fund in June this year, it is expected that the growth rate of global economy in 2011 will be 4.3% and the global economy will still keep its growth momentum in general. The PRC government is also in a view of that in the first half of the year the PRC economy will be in a good condition and continue to develop to the expected direction under macroeconomic adjustment. It is expected that the increasing demands in the PRC domestic and foreign trade will be driven by the development of global and the PRC economies, benefiting the major ports along the Chinese coast, including Xiamen port. However, having an eye on global condition such as the slow recovery of the economy of the United States, the prolonged European debts crisis, the heavily damaged Japanese economy by the earthquake, high inflation in emerging economies including the PRC, as well as challenging journey of global economy recovery, all these show that the PRC economy development is facing a complicated, unstable and uncertain domestic and overseas environment. On the other hand, as some newly constructed ports in Haicang port area of Xiamen port have put into operation recently, the Group's port production and development in the second half of the year may be affected. In face of the complex environment of the post financial crisis era, the Group will be determined in implementing stable operational strategies for creating better investment returns for all shareholders of the Company. In practice, the Group will focus on the following works in the second half of the year:

- To insist on the strategy of production expansion. We will actively promote overall sales and marketing, and create a smooth internal service chain by effectively coordinating all sectors involved in the port logistic supply chain. The Group will also implement better external expansion and hinterland development plans, thus to improve the Group's leading capability in the market of the industry.

- To deepen the strategic cooperation with shipping companies. The Group will proactively enhance the marketing initiatives to the headquarters of shipping companies, offering various extended services to core customers and providing more specific and effective services. We will establish and reinforce the market strategic alignment with major customers by further optimizing the distribution of ship route and enhancing the cooperation between ship routes. Leveraging on the respective advantages, we plan to establish a marketing cooperation mechanism that will enhance the efficiency of market information communication. Targeted to the key cargo owners and cargo types, the Group will organize staff to carry out marketing cooperation on a regular and irregular basis, thus to realize the sharing in both logistics and information resources as well as to attract and develop new freight and container sources.

- To further expand the cargo service market. The Group will pro-actively seek major and superior customers and gradually expand the proportion of basic cargo sources. By focusing on developing cargo sources with high contribution value and sparing no efforts in expanding new cargo sources, the Group will encourage the service demand from large cargo sources and attract customers to select our terminals for their business operations, so as to expand the proportion of loaded container business in general and increase the income from every container.

- To focus on the large container business. Firstly, the Group will keep an eye on the policy development of shipping companies and liner routes and endeavor to develop international container transshipment and domestic sub-route business. Secondly, the Group will utilize the geographical advantage of Xiamen port as the logistics centre of the Economic Zone on the Western Coast of the Taiwan Straits and an important port to Taiwan, and encourage transshipment of container business against Taiwan in relevant key hinderlands to be carried out by taking Taiwan container routes in Xiamen port. Thirdly, the Group will intensify its developing efforts on domestic trading container market and strengthen the cooperation with key ship-owners in full range, and hence, the Group plans to establish its terminals as a transshipping base for domestic trading containers for south-north routes in China, and to pro-actively procure containerization of the shipping to the south for northern bulk grain.

- To fully-utilize the productivity of bulk/general cargo terminals. Firstly, through optimizing resource allocation, systemizing existing depots and warehouses of Dongdu terminal and accelerating cargo turnover, the Group will try to improve the productivity of terminals. Secondly, by seizing the opportunity of berth shortage for the operation of general cargo in Haicang port area, the Group will vigorously develop the productivity of berth No. 8 in Haicang port area, to create the greatest economic benefits. Thirdly, by speeding the coordination to solve the related navigation channel problem in southern Liuwudian port area, the Group wishes to commence relevant berths in the port area as soon as possible and hence, effectively expand its overall bulk/general cargo operation capacity.

- To strengthen the market development of sea-rail joint transportation business. The Group will improve sea-rail joint transportation and other inland transportation channels by pro-actively promoting land port construction in related port cargo sources hinterland, and getting closer to the cargo supply markets. The Group will also maximize the Group's advantage in terminal resources, enhance the coordination of sea-rail joint transportation container business, accelerate the progress of terminal loading and unloading, improve the quality of integrated services, ensure the time-efficiency of sea-rail joint transportation, try its best to attract cargo sources, thus to expand the scale of sea-rail joint transportation gradually.

- To respond to market competition quickly. Through further strengthening production organization and site management, raising collaboration efficiency, continuously improving terminal operation efficiency and the quality of customer service, enhancing competitiveness as well as proactively devising better marketing plans, the Group will minimize the impact on its container terminal business from the operation commencement of relevant new terminals in Haicang port area.

- To deepen the philosophy of refined management. Firstly, the Group will strictly control the operation cost by continuing to refine its cost control, realizing the potential of each cost-controlling item and implementing measures to avoid unreasonable expenditure. Secondly, the Group will enhance informational management level and continue to promote informatization construction, including financial management system construction, thus to facilitate scientific enterprise management. Thirdly, in regards of energy saving and emission reduction, the Group will enhance energy conservation by continually promoting and applying energy saving technologies, such as "electrification", so as to effectively reduce the Group's energy consumption and operation costs.

- Pursuant to the "Option and Right of First Refusal Agreement" entered into between the Company and Xiamen Port Holding, the Company will actively follow up the progress of construction works of the relevant terminals of Xiamen Port Holding so as to facilitate the Board to make appropriate decisions based on the management and operational circumstances at the time.

OTHER INFORMATION

Share Capital

The table below sets out the share capital structure of the Company as at 30 June 2011:

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 2011.

Share Option Scheme

The Company did not have any share option scheme.

Interim Dividend

The Board did not recommend the payment of any interim dividend during this reporting period (same period of 2010: RMB4 cents per share).

Directors', Supervisors' and Chief Executives' Interests in Shares

As at 30 June 2011, none of the directors of the Company ("Directors"), supervisors of the Company ("Supervisors"), chief executives of the Company or their associates had any 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, Supervisor or chief executives of the Company 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 (the "Model Code").

Substantial Shareholder's Interests

As at 30 June 2011, so far as was known to the Directors, Supervisors and chief executives of the Company, the following persons (other than Directors, Supervisors or chief executives of the Company) 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	Domestic Shares (Long Position)	1,702,900,000	Beneficial owner	97.89%	62.46%
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%
Blackrock,Inc	H shares (Long Position)	66,576,100	Interest of controlled corporation	6.75%	2.44%

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

Save as disclosed above, as at 30 June 2011, so far as was known to the Directors, Supervisors or chief executives of the Company, no other persons (other than the Directors, Supervisors or chief executives of the Company) 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 2011, the Group had not purchased, sold or repurchased any listed securities of the Company.

Acquisition and Disposal

For the six months ended 30 June 2011, the Group did not make any major acquisitions or disposals of its subsidiaries, jointly controlled entities and associated companies.

Corporate Governance

Compliance with the Code on Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance to enhance the transparency and ensure to provide better safeguard for the whole interest of shareholders.

The Company has put in place corporate governance practices to comply with the provisions of the Code on Corporate Governance Practices ("Corporate Governance Code") 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 applied the Corporate Governance Code. For the six months ended 30 June 2011, the Company had complied with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code. Also, so far as was known to the Directors, the Company had no non-compliance of the Corporate Governance Code.

The Board

The second session of the Board comprised twelve Directors, including five Executive Directors, namely, Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan, four Non-executive Directors, namely, Mr. FU Chengjing, Ms. MIAO Luping, Mr. LIN Kaibiao and Mr. KE Dong and three Independent Non-executive Directors, namely, Mr. HUANG Shizhong, Mr. ZHEN Hong and Mr. HUI Wang Chuen.

In accordance with the Articles of Association of the Company, the term of office of each of the Directors is three years and each of them shall be eligible for re-election and re-appointment upon the expiration of the term. On 28 February 2011 at the Company's first extraordinary general meeting in 2011, the eleven Directors of the Company in office namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing, Ms. MIAO Luping, Mr. LIN Kaibiao, Mr. FANG Yao, Mr. HUANG Zirong, Ms. HONG Lijuan, Mr. KE Dong, Mr. ZHEN Hong and Mr. HUI Wang Chuen were re-elected and Mr. LIU Feng was newly appointed as the Director of the third session of the Board, of which, Mr. LIU Feng (newly appointed Director), Mr. ZHEN Hong and Mr. HUI Wang Chuen were Independent Non-executive Directors. On the same date, the Company convened the first meeting of the third session of the Board to elect Mr. LIN Kaibiao as the Chairman, appointed Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan as Executive Directors, and Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. KE Dong as Non-executive Directors and continued to appoint Ms. HONG Lijuan as the secretary to the Board/company secretary ("Company Secretary").

Therefore, as at the date of this report, the third session of the Board comprised five Executive Directors, namely Mr. LIN Kaibiao (Chairman), Ms. MIAO Luping, Mr. FANG Yao, Mr. HUANG Zirong and Ms. HONG Lijuan, four Non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing, and Mr. KE Dong, and three Independent Non-executive Directors, namely Mr. LIU Feng, Mr. ZHEN Hong and Mr. HUI Wang Chuen.

The Supervisory Committee

The second session of the Supervisory Committee of the Company comprised six Supervisors, including two Shareholders representative Supervisors, namely, Mr. FANG Zuhui and Mr. LUO Jianzhong, two staff representative Supervisors, namely, Mr. WU Jianliang and Mr. WU Weijian, and two independent Supervisors, namely, Mr. TANG Jinmu and Mr. HE Shaoping.

In accordance with the Articles of Association of the Company, the term of office of each of the Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon the expiration of the term. On 28 February 2011 at the Company's first extraordinary general meeting in 2011, two Supervisors in office namely Mr. LUO Jianzhong and Mr. TANG Jinmu were re-elected and Mr. YAN Tengyun and Mr. XIAO Zuoping were newly appointed as the Supervisors of the third session of the Supervisory Committee of the Company (Mr. WU Jianliang and Mr. WU Weijian were staff representative Supervisors who had been re-elected and re-appointment at the general meeting of staff representatives of the Company held on 23 February 2011), of which, Mr. XIAO Zuoping and Mr. TANG Jinmu were independent Supervisors. On the same date, the Company convened the first meeting of the third session of the Supervisory Committee to elect Mr. YAN Tengyun as the Chairman of the Supervisory Committee.

Therefore, as at the date of this report, the member of the third session of the Supervisory Committee of the Company included two Shareholders representative Supervisors, namely, Mr. YAN Tengyun (the Chairman) and Mr. Luo Jianzhong, two staff representative Supervisors, namely, Mr. Wu Jianliang and Mr. Wu Weijian, and two independent Supervisors, namely, Mr. Tang Jinmu and Mr. XIAO Zuoping.

Nomination Committee

On 28 February 2011, the Nomination Committee was established under the Board following the approval of the resolution at the first meeting of the third session of the Board of the Company so as to improve the corporate governance of the Company. Mr. LIN Kaibiao, the Chairman and Executive Director of the third session of the Board of the Company, as well as Independent Non-executive Directors Mr. LIU Feng and Mr. HUI Wangchuen were also appointed as members of the Nomination Committee of third session of the Board at the meeting, of which, Mr. LIN Kaibiao was appointed as the Chairman of the Nomination Committee.

The Board has adopted the terms of reference of the Nomination Committee which comply with the code provisions of the Corporate Governance Code. The primary functions of the Nomination Committee are: review the structure, size and composition of the Board, identify individuals suitably qualified to become Board members and assess the independence of independent non-executive directors, and make recommendations to the Board on relevant matters relating to the succession planning for directors, in particular, the chairman and the general manager.

Audit Committee

The second session of the Audit Committee of the Company comprised two Independent Non-executive Directors, Mr. HUANG Shizhong and Mr. ZHEN Hong and one Non-executive Director, Mr. FU Chengjing. The Chairman of the Audit Committee was Mr. HUANG Shizhong. On 28 February 2011, upon the formation of the third session of the Board of the Company, Mr. LIU Feng and Mr. ZHEN Hong, Independent Non-executive Directors, and Mr. FU Chengjing, Non-executive Director, were appointed as members of the third session of the Audit Committee, of which, Mr. LIU Feng was the Chairman of the third session of the Audit Committee, following the approval of resolution at the first meeting of the third session of the Board of the Company on the same date.

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 completeness and accuracy of the Company's financial accounts; 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 of the Company has reviewed the Company's interim results for the six months ended 30 June 2011 and agrees with the accounting policies adopted by the Company.

Remuneration Committee

The second session of the Remuneration Committee of the Company comprised two Independent Non-executive Directors, Mr. HUI Wang Chuen and Mr. HUANG Shizhong, and an Executive Director, Mr. CHEN Dingyu. The Chairman of the Remuneration Committee was Mr. HUI Wang Chuen. On 28 February 2011, upon the formation of the third session of the Board, Mr. HUI Wangchuen and Mr. LIU Feng, Independent Non-executive Directors, and Mr. CHEN Dingyu, Non-executive Director, were appointed as members of the third session of the Remuneration Committee, of which, Mr. HUI Wang Chuen continued to be appointed as the Chairman of the Remuneration Committee, following the approval of resolution at the first meeting of the third session of the Board on the same date.

The primary functions of the Remuneration Committee are to formulate the remuneration policy for the Directors, Supervisors and senior management of the Group, review and determine their remunerations and benefits, as well as make recommendations on the remunerations of Directors, Supervisors and senior management to the Board.

Business Strategy Committee

The second session of the Business Strategy Committee of the Company comprised six Directors, including Independent Non-executive Director Mr. ZHEN Hong, Executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu and Mr. FANG Yao, and Non-executive Directors, namely Mr. FU Chengjing and Ms. MIAO Luping, and was chaired by Mr. ZHEN Hong. On 28 February 2011, upon the formation of the third session of the Board, Mr. ZHEN Hong, an Independent Non-executive Director, Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. FANG Yao, Executive Directors, and Mr. CHEN Dingyu, Mr. FU Chengjing, Non-executive Directors, were appointed as members of the third session of the Business Strategy Committee, of which, Mr. ZHEN Hong continued to be appointed as the Chairman of the Business Strategy Committee, following the approval of resolution at the first meeting of the third session of the Board on the same date.

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 originally adopted the Model Code set out in Appendix 10 of the Listing Rules, and with regard to the Company's actual circumstances, the Company 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 set out in the Model Code in 2006. The Code was adopted 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 making specific enquiries to all Directors, Supervisors and senior management, the Company confirmed that they had complied with the standards required in the Model Code and the Code throughout the six months ended 30 June 2011, and the Company had not been aware of any violations of this kind during the six months ended 30 June 2011.