廈門國際港務股份有限公司

XIAMEN INTERNATIONAL PORT CO., LTD*

Stock Code: 3378

2012

INTERIM REPORT

* 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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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

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Auditors
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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

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Stock Code on the Main Board of The Stock Exchange of Hong Kong Limited
3378

Listing Date
19 December 2005

FINANCIAL HIGHLIGHTS

The unaudited interim consolidated results for the six months ended 30 June 2012

	Six months ended 30 June		
	2012	2011	Change
	RMB'000	RMB'000	RMB'000
Revenues	**1,489,270**	1,312,869	176,401
Operating profit	**224,672**	236,577	(11,905)
Profit for the period	**179,553**	203,789	(24,236)
Profit attributable to owners of the Company	**125,199**	149,330	(24,131)
Earnings per share for profit attributable to owners of the Company during the period			
— Basic and diluted (in RMB cents)	**4.59**	5.48	(0.89)

INDEPENDENT REVIEW REPORT

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 comprise the interim condensed consolidated balance sheet of Xiamen International Port Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2012 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 2012

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Investment properties	6	**62,546**	63,455
Property, plant and equipment	6	**3,252,371**	3,230,765
Land use rights	6	**1,005,365**	994,383
Intangible assets	6	**54,326**	55,633
Interests in associates	7	**565,242**	35,766
Available-for-sale financial assets		**62,214**	69,487
Long-term receivables	9	**41,000**	—
Deferred income tax assets		**52,047**	51,926
Total non-current assets		**5,095,111**	4,501,415
Current assets			
Inventories		**224,327**	261,274
Accounts and notes receivable	8	**751,495**	647,966
Other receivables and prepayments	9	**160,553**	184,279
Term deposits with initial term of over three months		**112,318**	72,097
Restricted cash		**333,599**	78,600
Cash and cash equivalents		**549,619**	926,176
Total current assets		**2,131,911**	2,170,392
Total assets		**7,227,022**	6,671,807
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**2,726,200**	2,726,200
Reserves		**1,236,257**	1,198,298
		3,962,457	3,924,498
Non-controlling interests		**1,058,136**	1,028,148
Total equity		**5,020,593**	4,952,646

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	12	781,384	291,266
Derivative financial instrument		—	3,658
Deferred government grants and income		123,657	115,732
Long-term payable	11	15,440	—
Early retirement benefit obligations		1,544	1,962
Deferred income tax liabilities		16,452	14,827
Total non-current liabilities		938,477	427,445
Current liabilities			
Accounts and notes payable	10	690,040	645,989
Other payables and accruals	11	463,659	473,885
Derivative financial instrument		2,421	—
Borrowings	12	88,351	148,292
Taxes payable		23,481	23,550
Total current liabilities		1,267,952	1,291,716
Total liabilities		2,206,429	1,719,161
Total equity and liabilities		7,227,022	6,671,807
Net current assets		863,959	878,676
Total assets less current liabilities		5,959,070	5,380,091

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Revenues	14	**1,489,270**	1,312,869
Cost of sales		**(1,201,620)**	(1,013,396)
Gross profit		**287,650**	299,473
Other income		**29,405**	19,110
Other gains — net		**2,725**	3,964
Selling and marketing expenses		**(16,776)**	(12,556)
General and administrative expenses		**(78,332)**	(73,414)
Operating profit	15	**224,672**	236,577
Finance income	16	**9,539**	8,717
Finance costs	16	**(16,113)**	(10,098)
		218,098	235,196
Share of profits less losses of associates	7	**(122)**	1,044
Profit before income tax expense		**217,976**	236,240
Income tax expense	17	**(38,423)**	(32,451)
Profit for the period		**179,553**	203,789
Profit attributable to:			
Owners of the Company		**125,199**	149,330
Non-controlling interests		**54,354**	54,459
		179,553	203,789
Earnings per share for profit attributable to owners of the Company during the period — Basic and diluted (in RMB cents)	19	**4.59**	5.48
Dividends	18	**—**	—

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period	**179,553**	203,789
Other comprehensive loss for the period, net of tax		
— Fair value losses on available-for-sale financial assets, net of tax	**(5,454)**	(2,695)
Total comprehensive income for the period	**174,099**	201,094
Total comprehensive income for the period attributable to:		
— Owners of the Company	**119,745**	146,635
— Non-controlling interests	**54,354**	54,459
	174,099	201,094

The notes on pages 11 to 32 form an integral part of the 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 six months 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	—	—	(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
Balance at 1 January 2012	**2,726,200**	**(274,541)**	**1,472,839**	**3,924,498**	**1,028,148**	**4,952,646**
Comprehensive income						
Profit for the period	**—**	**—**	**125,199**	**125,199**	**54,354**	**179,553**
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	**—**	**(5,454)**	**—**	**(5,454)**	**—**	**(5,454)**
— Gross	**—**	**(7,273)**	**—**	**(7,273)**	**—**	**(7,273)**
— Related deferred income tax	**—**	**1,819**	**—**	**1,819**	**—**	**1,819**
Total comprehensive (loss)/income for the six months ended 30 June 2012	**—**	**(5,454)**	**125,199**	**119,745**	**54,354**	**174,099**
Transactions with owners						
Capital contribution from non-controlling shareholder of a subsidiary	**—**	**—**	**—**	**—**	**6,000**	**6,000**
2011 final dividend (Note 18)	**—**	**—**	**(81,786)**	**(81,786)**	**—**	**(81,786)**
Dividends paid to non-controlling shareholders of subsidiaries	**—**	**—**	**—**	**—**	**(30,366)**	**(30,366)**
Balance at 30 June 2012	**2,726,200**	**(279,995)**	**1,516,252**	**3,962,457**	**1,058,136**	**5,020,593**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from operating activities	**199,545**	137,633
Net cash used in investing activities	**(717,013)**	(165,205)
Net cash generated from/(used in) financing activities	**140,770**	(54,081)
Net decrease in cash and cash equivalents	**(376,698)**	(81,653)
Cash and cash equivalents at beginning of period	**926,176**	1,154,304
Exchange gains/(losses) on cash and cash equivalents	**141**	(1,550)
Cash and cash equivalents at end of period	**549,619**	1,071,101

The notes on pages 11 to 32 form an integral part of the 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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 merchandise, 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 of the Company on 24 August 2012.

2. Basis of preparation

The unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2012 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 2011 (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 applied in the unaudited interim condensed consolidated financial information are consistent with those applied and described in the Annual Financial Statements.

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

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 2012.

3. Accounting policies (Continued)

The Group will adopt these 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 unaudited 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.

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 unaudited 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.

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 equity investments, 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.

5. Financial risk management (Continued)

5.2 Liquidity risk (Continued)

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
Unaudited				
At 30 June 2012				
Bank borrowings	**134,681**	**370,623**	**301,754**	**249,106**
Long-term payable	**—**	**15,440**	**—**	**—**
Accounts and notes payable	**690,040**	**—**	**—**	**—**
Other payables and accruals	**463,659**	**—**	**—**	**—**
Derivative financial instrument	**2,421**	**—**	**—**	**—**
	1,290,801	**386,063**	**301,754**	**249,106**
Audited				
At 31 December 2011				
Bank borrowings	167,670	32,247	104,686	246,092
Accounts and notes payable	645,989	—	—	—
Other payables and accruals	473,885	—	—	—
Derivative financial instrument	—	3,658	—	—
	1,287,544	35,905	104,686	246,092

The Group's trading derivative instrument with a negative fair value has been included at its fair value of RMB2,421,000 (31 December 2011: RMB3,658,000) within the time bucket less than 1 year (31 December 2011: between 1 and 2 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. Financial risk management (Continued)

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 2012.

	Unaudited			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets				
— Equity investments	**57,758**	**—**	**—**	**57,758**
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	**—**	**(2,421)**	**—**	**(2,421)**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Audited			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	65,031	—	—	65,031
Liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instrument	—	(3,658)	—	(3,658)

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

During the six months ended 30 June 2012, 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 2012, there were no reclassifications or transfer 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 2012	**63,455**	**3,230,765**	**994,383**	**55,633**	**4,344,236**
Additions	**—**	**122,076**	**23,233**	**115**	**145,424**
Disposals	**—**	**(2,022)**	**—**	**—**	**(2,022)**
Depreciation and amortisation charge	**(909)**	**(98,448)**	**(12,251)**	**(1,422)**	**(113,030)**
Net book amount as at 30 June 2012	**62,546**	**3,252,371**	**1,005,365**	**54,326**	**4,374,608**
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

7. Interests in associates

On 14 May 2012, the Company acquired 25% equity interest of Xiamen Songyu Container Teminals Co., Ltd. ("Songyu Terminal"), which then became an associate of the Company. The cash consideration for the investment was RMB530,000,800.

Movement in interests in associates is set out as follows:

	Unaudited Six months ended 30 June 2012 RMB'000
At 1 January	35,766
Addition	530,001
Dividends received	(403)
Share of results before income tax expense	244
Share of income tax expense	(366)
	(122)
At 30 June	565,242

The Group's share of the results in Songyu Terminal and its aggregated assets and liabilities after acquisition are shown below:

	Unaudited Six months ended 30 June 2012 RMB'000
Assets	725,567
Liabilities	230,229
Revenues	4,269
Share of losses	(629)
Percentage held	25%

8. Accounts and notes receivable

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Accounts receivable	**689,687**	616,020
Less: provision for impairment	**(20,615)**	(24,278)
	669,072	591,742
Due from fellow subsidiaries (Note 21(b))	**1,384**	1,166
Due from associate (Note 21(b))	**6,502**	—
Due from other related parties (Note 21(b))	**9,744**	9,739
Notes receivable	**64,793**	45,319
	751,495	647,966

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 accounts and notes receivable at respective balance sheet dates are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Less than 6 months	**682,715**	579,971
6 months to 1 year	**40,242**	42,829
1 year to 2 years	**24,899**	28,007
2 years to 3 years	**11,987**	2,915
Over 3 years	**12,267**	18,522
	772,110	672,244
Less: provision for impairment	**(20,615)**	(24,278)
	751,495	647,966

9. Other receivables and prepayments (including long-term receivables)

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Other receivables	**76,098**	40,231
Advances to suppliers	**99,625**	129,140
Less: provision for impairment	**(10,641)**	(9,309)
	165,082	160,062
Due from parent company (Note 21(b))	**529**	370
Due from fellow subsidiaries (Note 21(b))	**2,708**	1,695
Due from associates (Note 21(b))	**10,002**	4,542
Due from non-controlling shareholder of a subsidiary (Note 21(b))	**5,500**	—
Due from other related parties (Note 21(b))	**14,707**	16,410
Prepayments and deposits	**105**	536
Interest receivable	**2,920**	664
	201,553	184,279
Less: long-term receivables	**(41,000)**	—
Current portion	**160,553**	184,279

Long-term receivables are mainly the deposit of RMB40,000,000 for a Build-Transfer (BT) project (Note 23).

10. Accounts and notes payable

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Accounts payable	**473,681**	449,614
Due to parent company (Note 21(b))	**36,726**	16,713
Due to fellow subsidiaries (Note 21(b))	**7,177**	10,453
Due to associate (Note 21(b))	**5,221**	—
Notes payable	**167,235**	169,209
	690,040	645,989

10. Accounts and notes payable (Continued)

Ageing analysis of accounts and notes payable at respective balance sheet dates are as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Within 1 year	687,807	643,653
1 year to 2 years	1,442	1,501
2 years to 3 years	—	573
Over 3 years	791	262
	690,040	645,989

11. Other payables and accruals (including long-term payable)

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Due to parent company (Note 21(b))	6,588	4,942
Due to fellow subsidiaries (Note 21(b))	21,152	8,066
Due to other related parties (Note 21(b))	9,858	19,903
Payables for purchases of property, plant and equipment and construction-in-progress	87,677	102,468
Salary and welfare payables	86,195	134,700
Customer deposits	117,682	109,376
Accrued expenses	11,848	14,348
Dividends payable to		
— shareholders of the Company	83,891	3,020
— non-controlling shareholders of subsidiaries (Note 21(b))	4,106	6,983
Other payables	50,102	70,079
	479,099	473,885
Less: long-term payable	(15,440)	—
Current portion	463,659	473,885

12. Borrowings

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Non-current		
Long-term bank borrowings	781,384	291,266
Current		
Short-term bank borrowings	23,552	139,705
Long-term bank borrowings — current portion	64,799	8,587
	88,351	148,292
Total borrowings	869,735	439,558
Representing:		
— guaranteed (a)	328,105	64,831
— secured (b)	336,782	58,833
— unguaranteed and unsecured	204,848	315,894
Total borrowings	869,735	439,558

(a) As at 30 June 2012, a bank borrowing of RMB63,105,000 (31 December 2011: RMB64,831,000) is guaranteed by a state-owned bank and a bank borrowing of RMB265,000,000 (31 December 2011: Nil) is guaranteed by Xiamen Port Holding.

(b) As at 30 June 2012, bank borrowings of RMB12,805,000 in aggregate are secured by letters of credit (31 December 2011: 24,031,000), a bank borrowing of RMB64,656,000 is secured by land use right (31 December 2011: RMB34,802,000) and bank borrowings of RMB259,321,000 in aggregate are secured by bank deposits of RMB260,000,000 (31 December 2011: Nil).

12. Borrowings (Continued)

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2012 RMB'000	Unaudited Six months ended 30 June 2011 RMB'000
At 1 January	**439,558**	392,228
Additions	**575,588**	104,175
Repayments	**(144,161)**	(135,988)
Exchange differences	**(1,250)**	(1,599)
At 30 June	**869,735**	358,816

Interests on borrowings for the six months ended 30 June 2012 is RMB18,586,000 (same period of 2011: RMB10,612,000).

13. Share capital

	Domestic shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total RMB'000
As at 30 June 2012 and 31 December 2011	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 2012, there was no movement in the share capital of the Company.

14. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer that makes strategic decisions.

14. Segment information (Continued)

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 business of merchandise. 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.

The segment results provided to management for the reportable segments for the six months ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June 2012 (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 business of merchandise RMB'000	Total RMB'000
Total segment revenues	383,847	99,179	387,996	211,188	462,080	1,544,290
Inter-segment revenues	–	–	(55,020)	–	–	(55,020)
Revenues	383,847	99,179	332,976	211,188	462,080	1,489,270
Operating profit	91,768	6,591	94,886	18,196	13,231	224,672
Finance income						9,539
Finance costs						(16,113)
						218,098
Share of profits less losses of associates	(304)	–	160	22	–	(122)
Profit before income tax expense						217,976
Income tax expense						(38,423)
Profit for the period						179,553
Other information						
Depreciation	54,425	15,479	26,001	3,163	289	99,357
Amortisation	7,891	2,222	3,530	21	9	13,673
Net provision for/(reversal of) impairment of						
– inventories	–	–	–	–	(1,967)	(1,967)
– receivables	–	165	849	(775)	(2,570)	(2,331)

14. Segment information (Continued)

The segment results provided to management for the reportable segments for the six months ended 30 June 2012 and 2011 are as follows (Continued):

	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 business of merchandise 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 profits less losses 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
Net provision for/(reversal of) impairment of						
– inventories	–	–	–	–	(43)	(43)
– receivables and advance to suppliers	–	131	507	(1,547)	(4,601)	(5,510)

14. Segment information (Continued)

The segment information provided to management for the reportable segments as at 30 June 2012 and 31 December 2011 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 business of merchandise RMB'000	Total RMB'000
Unaudited						
As at 30 June 2012						
Segment assets	**4,100,529**	**480,865**	**1,845,512**	**281,585**	**404,270**	**7,112,761**
Include:						
Interests in associates	**529,697**	**–**	**33,502**	**2,043**	**–**	**565,242**
Additions to non-current assets	**25,959**	**6,597**	**110,679**	**1,852**	**337**	**145,424**
Segment liabilities	**383,670**	**34,115**	**588,135**	**151,568**	**136,852**	**1,294,340**
Audited						
As at 31 December 2011						
Segment assets	3,560,717	452,900	1,739,517	280,307	516,953	6,550,394
Include:						
Interests in associates	–	–	33,745	2,021	–	35,766
Additions to non-current assets	167,815	18,432	174,822	933	1,902	363,904
Segment liabilities	375,064	31,768	526,125	160,385	144,226	1,237,568

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.

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.

14. Segment information (Continued)

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

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Total segment assets	**7,112,761**	6,550,394
Add: Deferred income tax assets	**52,047**	51,926
Available-for-sale financial assets	**62,214**	69,487
Total assets per consolidated balance sheet	**7,227,022**	6,671,807

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

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Total segment liabilities	**1,294,340**	1,237,568
Add: Deferred income tax liabilities	**16,452**	14,827
Taxes payable	**23,481**	23,550
Derivative financial instrument	**2,421**	3,658
Borrowings	**869,735**	439,558
Total liabilities per consolidated balance sheet	**2,206,429**	1,719,161

15. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Crediting:		
Fair value gain on derivative financial instrument	1,237	1,136
Dividend income	494	129
Gain on disposal of property, plant and equipment	700	2,828
Reversal of impairment of		
— inventories	1,967	43
— receivables and advance to suppliers	3,345	6,148
Charging:		
Cost of inventories sold/consumed	687,233	557,252
Depreciation of		
— investment properties	909	669
— property, plant and equipment	98,448	95,089
Amortisation of		
— land use rights	12,251	11,582
— intangible assets	1,422	2,254
Provision for impairment of		
— receivables	1,014	638

16. Finance income and costs

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest income	**9,585**	7,087
Net foreign exchange (loss)/gain	**(46)**	1,630
	9,539	8,717
Interests on bank borrowings	**(18,586)**	(10,612)
Less: amounts capitalised	**2,473**	514
	(16,113)	(10,098)
Finance costs, net	**(6,574)**	(1,381)

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 2012 was 7.21% (same period of 2011: 5.72%) per annum.

17. 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 2012.

As the current year is the first year which the Company enjoys the 50% reduction in corporate income tax, the applicable corporate income tax rate for the Company is 12.5% for the six months ended 30 June 2012 (2011: Nil). Other than the Company's subsidiary, China Ocean Shipping Agency (Xiamen) Co., Ltd. whose applicable corporate income tax rate is 15% and the Company's jointly controlled entity, Xiamen Haicang International Container Terminals Ltd. whose applicable corporate income tax rate is 12.5%, for the six months ended 30 June 2012, the applicable corporate income tax rate for the Company's subsidiaries and jointly controlled entities is 25% (2011: 24%).

17. Income tax expense (Continued)

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

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
PRC corporate income tax expense	**35,100**	30,229
Deferred income tax charge	**3,323**	2,222
	38,423	32,451

18. Dividends

At a meeting held on 27 March 2012, the directors of the Company proposed a final dividend (the "2011 Final Dividend") of RMB3 cents per share (tax inclusive) for the year ended 31 December 2011, which was subsequently approved at the annual general meeting on 8 June 2012. The 2011 Final Dividend has been reflected as an appropriation of retained earnings for the six months ended 30 June 2012.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (same period of 2011: Nil).

19. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period 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	
	2012	2011
Profit attributable to owners of the Company (in RMB)	**125,199,000**	149,330,000
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)	**4.59**	5.48

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

20. Capital commitments

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Purchases of property, plant and equipment contracted for but not yet incurred:		
— the Group	**110,387**	101,392
— jointly controlled entities	**47,685**	40,769
	158,072	142,161

Committed capital expenditure as at 30 June 2012 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 2012 but the related capital expenditure had not been incurred as at that date.

In addition, according to the Build-Transfer (BT) agreement signed subsequently by the Group (Note 23), the Group requires to make fund investment of approximately RMB423,000,000 to the project.

21. Significant related party transactions

(a) During the six months ended 30 June 2012 and 30 June 2011, the Group had the following significant transactions with related parties:

		Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Transactions with the parent company			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**22,068**	18,258
Transactions with fellow subsidiaries			
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**2,520**	2,412
Comprehensive service fee	(ii)	**11,910**	11,790
Labour services	(iii)	**12,697**	12,136
Others			
Purchases of property, plant and equipment	(iv)	**7,840**	5,915
Transactions with associate			
Revenues			
Loading and unloading services rendered	(v)	**5,764**	—
Expenses			
Operating lease in respect of land and port facilities	(i)	**4,167**	—
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(v)	**36,723**	35,576

(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 based on the terms mutually agreed by 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 associate and other related parties were carried out on terms that were mutually agreed among the contracted parties.

21. 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 2012 RMB'000	Audited 31 December 2011 RMB'000
Balances with the parent company		
Other receivables and prepayments	529	370
Accounts payable	36,726	16,713
Dividends payable	51,087	—
Other payables and accruals	6,588	4,942
Balances with fellow subsidiaries		
Accounts receivable	1,384	1,166
Other receivables and prepayments	2,708	1,695
Accounts payable	7,177	10,453
Other payables and accruals	21,152	8,066
Balances with associates		
Accounts receivable	6,502	—
Other receivables and prepayments	10,002	4,542
Accounts payable	5,221	—
Balance with non-controlling shareholders of subsidiaries		
Other receivables	5,500	—
Dividends payable	4,106	6,983
Balances with other related parties		
Accounts receivable	9,744	9,739
Other receivables and prepayments	14,707	16,410
Other payables and accruals	9,858	19,903

21. Significant related party transactions (Continued)

(c) Key management compensation:

	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,486**	1,459
Contributions to pension plans	**166**	159
	1,652	1,618

22. Contingent liabilities

As at 30 June 2012, the Group had no significant contingent liability (31 December 2011: Nil).

23. Event occurring after the balance sheet date

Build-Transfer (BT) project (the "BT Project") for a highway in the Gulei Harbour Economic Development Region

In July 2012, Xiamen Port Development Co., Ltd. ("Xiamen Port Development"), a subsidiary of the Company, and CCCC Third Harbour Engineering Co., Ltd. ("CCCC") entered into a Build-Transfer (BT) Agreement (the "BT Agreement") with Zhangzhou Gulei Transportation Development Co., Ltd. ("Gulei") regarding investment and construction of the BT Project. The total investment amount of the BT Project is estimated of approximately RMB523 million which will be contributed by Xiamen Port Development and CCCC of RMB423 million and RMB100 million respectively and the construction period of the BT Project is approximately 18 months. According to the BT Agreement, Xiamen Port Development shall be responsible for the implementation of all investing and financing activities in respect of the BT Project while CCCC shall be responsible for implementing all of the construction work and post-completion maintenance work for two years after the completion. Upon the completion of the BT Project, Gulei shall settle the repurchase price (including the estimated total investment amount of RMB523 million plus investment return) to Xiamen Port Development and CCCC by instalment, and all the possession rights of the BT Project will be transferred to Gulei upon the full settlement of the repurchase price. As of the date of issuance of this unaudited interim condensed consolidated financial information, the construction of the BT Project has not been started. As of 30 June 2012, Xiamen Port Development made a guarantee deposit of RMB40 million pursuant to the BT Agreement, which will be returned as part of the repurchase price and thus is presented as long-term receivable (Note 9).

Operating Results Review

In the first half of 2012, the overall global economy was in the downturn. Although China's overall economy still performed steadily, with the gross domestic production for the first half of the year increased by 7.8% as compared with the corresponding period last year, China's foreign trade grew at a relatively lower rate, with the foreign trade growth 17.8% lower than that as recorded in last year's corresponding period. The severe economic conditions directly impacted the business development of the major foreign trade ports in China, including Xiamen port. Faced with the complexity and volatility in the domestic and foreign trade, the Group promoted fine management and reinforced its control over costs and risks, while at the same time proactively took various measures to persistently implement its overall sales and marketing strategies, strengthened its strategic cooperation with major shipping companies and endeavored to expand its container transshipment business and domestic trade container business so as to maintain a steady development of the Group's port operation. Although these measures have produced some positive results, the Group's overall operating results were inevitably affected due to structural change in the port business as influenced by the general trend of the global economy and trade and port industry, the price competition among the terminals in Xiamen port and the fact that since 2012 the Company could only enjoy a 50% reduction in corporate income tax, instead of the previous tax concessions.

For the six months ended 30 June 2012, the revenues of the Group was approximately RMB1,489,270,000, representing an increase of approximately 13.4% as compared to approximately RMB1,312,869,000 in the corresponding period in 2011. Profit attributable to owners of the Company was approximately RMB125,199,000, representing a decrease of approximately 16.2% as compared to approximately RMB149,330,000 in the corresponding period in 2011. Basic and diluted earnings per share attributable to owners of the Company were approximately RMB4.59 cents (the corresponding period in 2011: approximately RMB5.48 cents). The increase in revenues was mainly due to the increase in revenues from trading business of merchandise, manufacturing and selling of building materials, ancillary value-added port services and bulk/general cargo loading and unloading, which was partially offset by the decrease in revenues from container loading and unloading and storage business. The decrease in profit was mainly due to the decrease of gross profit from container loading and unloading and storage business in the downturn of global economy and the fierce competition at Xiamen port. Besides, since 2012 the Company could only enjoy a 50% reduction in corporate income tax, instead of the previous tax concessions, therefore the increased income tax expense in this period also led to the decrease of profit attributable to owners of the Company.

Business Review

The Group was principally engaged in port terminal businesses operating 16 berths in the Dongdu and Haicang port areas in Xiamen (inclusive of berth No. 1 in Haicang port area), including container port operation, bulk/general cargo port operations and ancillary value-added port services. In addition, the Group also operated manufacturing, processing and selling business of building materials, as well as the trading business of merchandise (such as chemical products and steel).

Container Port Business

During the first half of 2012, a container throughput of 1,967,829 TEUs was achieved by the Group with details of the container throughput of each terminal as follows:

	Container throughput Six months ended 30 June		
	2012 (TEUs)	2011 (TEUs)	Increase
The Haitian Terminal, Hairun Terminal[↑], Berth No. 1 of Dongdu Terminal[□] of the Group (international trade and domestic trade)	**1,440,143**	1,299,283	10.84%
XICT and XHICT (international trade)*	**527,686**	518,523	1.77%
Total throughput	**1,967,829**	1,817,806	8.25%

↑ Since July 2009, Hairun Terminal leased and operated berth No. 6 in Haicang port area of Xiamen port due to the needs of business development, and therefore, for the purpose of operation information set out herein, the related operating figures of Hairun Terminal also contain the figures of berth No. 6 in Haicang port area of Xiamen port, which are consolidated in the calculation.

□ Due to the needs of the business development, Dongdu Terminal has leased berth No. 3 of Songyu Terminal in Xiamen port since February 2012 to operate the domestic trade container business, and therefore, for the purpose of operation information set out herein, the related operating figures of berth No. 1 of Dongdu Terminal also contain the figures of berth No. 3 Songyu Terminal in Xiamen port, which are consolidated in the calculation.

* Xiamen International Container Terminals Ltd. ("XICT") is a jointly controlled entity between Xiamen Haicang Port Company Limited ("XHPC"), one of the Company's subsidiaries, and Hutchison Ports Xiamen Limited. Through XHPC, 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 operation information 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 Xiamen Haicang International Container Terminals Ltd. ("XHICT"), the relevant operation information of XICT also contains the figures of XHICT correspondingly, which are consolidated in the calculation.

During the first half of the year, the container business of the Group increased by approximately 8.25% over the corresponding period in 2011. The container business in the domestic trade of the Group maintained a rapid growth and the container throughput in aggregate increased by approximately 18.9%, as compared with the corresponding period previous year, to approximately 0.374 million TEUs, accounting for approximately 19% of the total container throughput of the Group. The growth of the international trade container business failed to meet the Company's expectation due to the weak demand of the European and American economies and certain lines of the shipping operators being migrated to its self-operated terminals. Accordingly, during the first half of the year, the growth of the international trade container business is mainly derived from the growth of the international container transshipment business, inland route business and lightering operations within ports. During the reporting period, these businesses have achieved a container throughput of approximately 0.266 million TEUs in total, representing an increase of approximately 40.4% over the corresponding period last year, which accounts for approximately 13.5% of the total container throughput of the Group, while other international container businesses have only achieved a slight increase.

Bulk/General Cargo Port Business

In the first half of 2012, the bulk/general cargo throughput handled by the Group amounted to 3,358,893 tonnes with details as follows:

	Bulk/general cargo throughput Six months ended 30 June		
	2012 (Tonnes)	2011 (Tonnes)	Decrease
Berths No. 2 to No. 4 of Dongdu Terminal*	**3,249,215**	3,333,770	(2.54%)
XICT and XHICT	**109,678**	155,472	(29.45%)
Total throughput	**3,358,893**	3,489,242	(3.74%)

* Dongdu Terminal has leased part of berth No. 8 (Mingda Terminal) in Haicang port area of Xiamen port for the operations of loading and unloading and transshipment businesses since November 2009. Therefore, for the purpose of the operation information set forth herein, the relevant operating figures of bulk/general cargo of Dongdu Terminal also contains the figures of Mingda Terminal, which are consolidated in the calculation.

The Group's bulk/general cargo business in the first half of the current year decreased by approximately 3.74% as compared with the corresponding period previous year, of which the total bulk/general cargo throughput of Dongdu Terminal slightly decreased by approximately 2.54% since its natural sand export business slumped as the exploiting of natural sand was regulated by the government as well as part of the business of berth No.8 in Haicang port area was dispersed by its neighboring berths in the port. As for XICT, the international prices of such principal cargos as pitches and liquid sulphur remained high, causing a temporarily significant decrease in the import business for the above mentioned cargos. Accordingly, the general cargo businesses of the terminal for the first half of the year shrank significantly.

In view of the above, the Group have upgraded the relevant handling equipments of Dongdu Terminal, including gantry cranes, in a timely manner to further enhance the handling capacity of the terminal. Meanwhile, it reinforced the organizational coordination of the evacuation of the container yards and warehouses within the port and increased the handling operation volume of such cargos with a higher tariff as stones and imported food to increase the revenue generated from the terminal business. Besides, XICT has concentrated its efforts on developing such other cargos as tin sheets, and with the stabilization of the international prices of pitch, it is expected that the general cargo port business of XICT will forge ahead gradually.

Ancillary Value-Added Port Services

The ancillary value-added port services of the Group mainly consist of shipping agency, tallying, tugboat berthing and unberthing businesses and port-related logistics services. In the first half of 2012, despite more intense market competition among ports in Xiamen, the Group, leveraging on the effective implementation of its overall sales and marketing strategies, has obtained a sound development of such businesses as a whole. The business volume of shipping agency had a break even as compared with that of the corresponding period last year; the tallying and the relevant port logistics services are on the steady rise; while the business volume of tugboat berthing and unberthing showed a moderate decrease, its market share however remained stable and the expansion of the off-port market progressed smoothly. During the reporting period, the Group was also committed to the expansion of cargo sources and the development of the extension of port logistics services. In the first half of 2012, affected by the economic downturn of the foreign trade in every hinterland of Xiamen port and the rise in the cost of railway transportation, the Group achieved a container sea-rail joint transportation volume of 13,094 TEUs in aggregate, representing a slight increase of 3.5% over the corresponding period previous year. The main businesses of the on-site assembly and warehouse tenancy in the Xiamen Bonded Logistics Park operated by the Group have achieved sustainable development. In order to meet the increasing market demand, the construction of the bonded warehouse No. 8 of the Group had been nearly completed by the end of June 2012, and the bonded warehouse No. 2 jointly invested and constructed by the Group and the YCH Group from Singapore is expected to be completed during the year.

Trading Business of Merchandise

In the first half of 2012, adhering to the operation philosophy of port and trade integration, the Group prudently conducted trading business of merchandise. Faced with the severe international economic and trade conditions, the Group further tightened the risk control, and allied the enterprises under the Group by its port business network to provide port logistics comprehensive services such as terminal loading and unloading, transportation of cargos, customs clearance, storage, which gradually prompted such business towards the logistics supply chain model.

Financial Review

Revenues

Revenues of the Group increased by approximately 13.4% from approximately RMB1,312,869,000 for the six months ended 30 June 2011 to approximately RMB1,489,270,000 for the six months ended 30 June 2012. The increase was mainly due to the increase in revenues from trading business of merchandise, manufacturing and selling of building materials, ancillary value-added port services and bulk/general cargo loading and unloading business, which was partially offset by the decrease in revenues from container loading and unloading and storage business.

Revenues by business sector

	Six months ended 30 June		
Business	**2012 (RMB'000)**	2011 (RMB'000)	(Decrease)/ increase
Container loading and unloading and storage business	**383,847**	388,020	(1.1%)
Bulk/general cargo loading and unloading business	**99,179**	85,303	16.3%
Ancillary value-added port services	**332,976**	316,563	5.2%
Manufacturing and selling of building materials	**211,188**	152,153	38.8%
Trading business of merchandise	**462,080**	370,830	24.6%
Total	**1,489,270**	1,312,869	13.4%

Reasons for the change of revenue of each business sector for the six months ended 30 June 2012 compared with the corresponding period last year are as follows:

1. The container throughput of the Group for the six months ended 30 June 2012 presented a mild increase, yet since the proportion of the throughput of international container transshipment business, inland route business and lightering operations within ports with a lower tariff in the total container throughput had been increased, the average revenue per TEU decreased. As a result, the revenue of container loading and unloading and storage business decreased accordingly.

2. In spite of the decrease in the total throughput of the Group's bulk/general cargo, the revenue in the bulk/general cargo loading and unloading business still increased steadily, which was mainly due to the increased throughput of stones and food with a higher tariff.

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

4. Benefiting from the improved measures of monitor and management in concrete industry, the competition in Xiamen market tended to be more in order, leading to the increased sales volume of concrete. Therefore, the revenue of manufacturing and selling of building materials increased significantly.

5. The Group gradually and prudently developed the trading business of merchandise which was related to port logistics. 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 and revenue of self-operated business increased significantly during the period.

Cost of Sales

Cost of sales of the Group increased by approximately 18.6% from approximately RMB1,013,396,000 for the six months ended 30 June 2011 to approximately RMB1,201,620,000 for the six months ended 30 June 2012. Such increase was primarily due to the increase in cost of inventories sold/consumed, employee benefit expenses and transportation and labour outsourcing cost.

- Cost of inventories sold/consumed of the Group increased by approximately 23.3% from approximately RMB557,252,000 for the six months ended 30 June 2011 to approximately RMB687,233,000 for the six months ended 30 June 2012. Such increase was mainly due to the significant increase in the self-operated trading business volume of merchandise which led to the corresponding increase in cost of trading merchandise sold. In addition, the increased cargo throughput and fuel consumed also led to the increased cost.

- Employee benefit expenses that included in the cost of sales increased by approximately 14.6% from approximately RMB188,663,000 for the six months ended 30 June 2011 to approximately RMB216,174,000 for the six months ended 30 June 2012. Such increase was mainly due to the increase in the overall business volume of the Group for the six months ended 30 June 2012, and the average salaries per headcount and the bonus paid related to the business volume increased accordingly.

- Cost of transportation and labour outsourcing of the Group increased by approximately 36.7% from approximately RMB51,549,000 for the six months ended 30 June 2011 to approximately RMB70,487,000 for the six months ended 30 June 2012. Such increase was mainly due to more transportation and labour was outsourced to meet the increase in the business volume of manufacturing and selling of building materials as well as the increase in container throughput of port business.

Liquidity, Financial Resources and Capital Structure

The Group mainly used its cash for investments, operating costs, construction of terminals and berths and repayment of loans. As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately RMB549,619,000 (31 December 2011: approximately RMB926,176,000). The decrease is mainly due to the Group pledged approximately RMB260,000,000 as a security for new bank borrowings.

Borrowings of the Group increased by approximately 97.9% from approximately RMB439,558,000 as at 31 December 2011 to approximately RMB869,735,000 as at 30 June 2012, which was mainly due to the increase of borrowings to finance the Group's acquisition of 25% shares in Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal") which was completed in this interim period.

As at 30 June 2012, the Group's guaranteed loans amounted to approximately RMB328,105,000, of which approximately RMB63,105,000 was guaranteed by a state-owned bank and approximately RMB265,000,000 was guaranteed by Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding"). The Group's secured loans amounted to approximately RM336,782,000, of which approximately RMB12,805,000 was secured by letters of credit, approximately RMB64,656,000 was secured by land use right and approximately RMB259,321,000 was secured by bank deposits of RMB260,000,000.

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 2012 and 31 December 2011 were as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Total borrowings	869,735	439,558
Less: Cash and cash equivalents	(549,619)	(926,176)
Net debt/(cash)	320,116	(486,618)
Total equity	5,020,593	4,952,646
Total capital	5,340,709	4,466,028
Gearing ratio (%)	5.99%	Not applicable

As at 30 June 2012, the Group had a net debt position.

Other Financial Information

As at 30 June 2012, the Group's available-for-sale financial assets decreased from approximately RMB69,487,000 to approximately RMB62,214,000 as compared with 31 December 2011. The decrease was mainly contributed by the change in fair value of securities investment being held by the Group.

Capital Expenditure Commitments

As at 30 June 2012, the Group's capital expenditure commitments amounted to approximately RMB158,072,000, primarily consisting of expenditure on port terminal infrastructure construction, and purchase of equipment and vessels. In addition, according to the BT Agreement signed subsequently by the Group (see page 41 for details), the Group requires to make fund investment of approximately RMB423,000,000 to the project.

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 2012.

Except for some forward foreign exchange transaction 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 of directors (the "Board"), who will consider hedging any significant foreign currency exposure should the need arise.

Contingent Liabilities
As at 30 June 2012, the Group has no significant contingent liabilities.

Employees
As at 30 June 2012, the Group has a total of 5,568 employees, representing a decrease of 70 employees as compared to 31 December 2011. Employees' remunerations of the Group are determined by their positions, individual performance, experiences and the prevailing practices of the industry. Employees may be offered discretionary bonus or awards according to the Group's annual operating results and the assessment results of their performance. Moreover, the payment of rewards is an impetus to motivate each employee. The corporate annuity improves the post-retirement pension benefits of employees after their services and the employees may enjoy holidays such as paid leave in accordance with relevant regimes.

Establishment of a New Company and Other Important Events
On 28 February 2012, Xiamen Port Development Co., Ltd. ("XPD"), a subsidiary of the Company, and Zhangzhou City Gulei Utilities Development Co., Ltd. entered into the Zhangzhou City Gulei Port Development Co., Ltd. Joint Venture Contract, pursuant to which, both parties agreed to establish Zhangzhou City Gulei Port Development Co., Ltd. (the "Joint Venture Company") by means of joint venture to engage in businesses such as terminal and port ancillary facilities, investment, development and construction of the port service facilities, joint operation in terminal loading and unloading, port shipping agency, import and export cargo tallying and customs declaration, and tugging of ships to and from the port. The registered capital of the Joint Venture Company is RMB0.1 billion, which is held as to 70% by XPD. On 27 March 2012, the Joint Venture Company was duly established and relevant industrial and commercial registration formalities have been completed. The Joint Venture Company had not commenced operation as at 30 June 2012.

On 29 March 2012, the Company invested to establish Fuzhou Haiying Gangwu Co., Ltd. ("Haiying Gangwu") in Fuzhou, Fujian Province to operate the port terminal and relevant comprehensive logistics services, so as to expand the cargo sources in the hinterland of northern Fujian. The registered capital of Haiying Gangwu is RMB5 million which is entirely held by the Company. Relevant industrial and commercial registration formalities have been completed. Haiying Gangwu had not commenced operation as at 30 June 2012.

In addition, in accordance with the Equity Transfer Agreement entered into on 5 December 2011 between the Company and APM Terminals Xiamen Company Limited ("APMT") in relation to Songyu Terminal, on 14 May 2012, the Company completed all relevant formalities for the acquisition of 25% equity interest in Songyu Terminal from APMT pursuant to the terms and conditions of the Equity Transfer Agreement. For details, please refer to the announcement of the Board dated 14 May 2012 published by the Company.

Furthermore, on 27 June 2012, the Company and XPD received the "*Preliminary Notice on Matters relating to the Resumption of Land for Phase 1 of the Cruise Home Port Project*" (the "Notice"), respectively, issued by the Xiamen Land Development Center. Pursuant to the development plans of the Xiamen Government under the Xiamen International Cruise Home Port Project, the Xiamen Land Development Center, on behalf of the Xiamen Government, shall take over the parcels of land on which the Dongdu Terminal is located, together with its related assets, from the Company and XPD by way of land resumption (the "Land Resumption") in accordance with the procedures applicable to resumption of state-owned land in Xiamen. It was stated in the Notice that cash compensation shall be made for the non-residential properties in accordance with the compensation standards on the resumption of properties situated on state-owned land parcels. Since the Dongdu Terminal situates at the planned site of the Xiamen International Cruise Home Port Project, the Land Resumption might result in material impact on the business operation and financial position of the Company and XPD. **As the Land Resumption is still at preliminary stage and limited information is currently available to the Company and XPD, there are uncertainties with respect to the precise scope of the assets subject to resumption, compensation terms, timing of resumption and other factors.** The Company will make prompt disclosure on the progress of the Land Resumption in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Subsequent Events

On 6 July 2012, XPD, CCCC Third Harbour Engineering Co., Ltd. ("CCCC") and Zhangzhou Gulei Transportation Development Co, Ltd. ("Gulei Company") have entered into the Engineering Investment and Build-Transfer (BT) Project Contract (the "BT Agreement") and relevant agreements in relation to the construction of Section A1 of the inter-connection highway connecting the Gulei operating area and the Gulei harbour area (the "BT Project"). Pursuant to the BT Agreement, XPD and CCCC (collectively, the "Joint Investors") will jointly invest approximately RMB523 million (of which RMB100 million will be contributed by CCCC) for the construction of the BT Project within an 18-month construction period and transfer the right of use of the BT Project to Gulei Company within 30 days upon completion thereof, whereupon Gulei Company shall pay a repurchase price to be determined pursuant to the BT Agreement to the Joint Investors by four instalments during three years from completion of the BT Project (the "Repurchase Price"). Upon full settlement of the Repurchase Price, Gulei Company will obtain ownership of the BT Project. The entering into the above transaction will provide the Group with an opportunity to be involved in the construction, operation and management of the terminal related projects in the Gulei harbour area, leading to the expansion of the ancillary value-added port services and increasing the Group's revenue as a result. Given that the above transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company had published the relevant announcement on 6 July 2012.

Prospects and Outlook

According to an updated report from the World Economic Outlook published by the International Monetary Fund in July this year, it is expected that global economy will be growing at a rate of 3.5% in 2012. The PRC government believes that China's economy in the first half year was, in general, in steady growth, while the economy has been developed within the anticipated degree. In the second half year, under the continuous implementation of the proactive fiscal policy and stable monetary policy, together with the effects of the pre-measures and fine-tuning policies targeted for steady growth have been gradually achieved, the national economy of the PRC will maintain this moderate steady growth. It is expected that such economy growth will benefit the development of the port business in Xiamen. However, in regard to the global economy, factors causing downside risks still exist, such as the relatively shuddering developed economies and the dominated emerging economies, a significant slow-down in the global trading growth, and the continuous weak external demand. Besides, due to the fact that the cost of the domestic labor force continues to rise, the growth of consumption demands is not optimistic and the factors resulting in inflation have not yet been eliminated, China's economic development is still facing a severe internal and external environment. On the other hand, after Yuanhai Terminal (berths No. 14 to 17 in Haicang port area) and Xinhaida Terminal (berths No. 18 to 19 in Haicang port area) of Xiamen Port (both invested and operated by other major shipping operators) have been put into operation, part of our businesses had been diverted during the first half year as the self-operated lines have been moved by their respective shipping operators, and it is expected that these effects will remain to be influential in the second half of the year. Facing the complicated economic environment, the Group will be determined to proactively bring our existing advantages into full play, and make our greatest efforts to overcome the obstacles from the market fluctuation and operation stress in Xiamen, so as to bring a better return of investment to all shareholders of the Company. Combined with the actual circumstances, the Group will focus on the following measures in the coming half year:

- To reinforce marketing. The Group will attach equal importance on prudence and flexibility in operation, keep a close watch on the market trends, and strengthen its market research to seize all possible business opportunities. Besides, the Group will further consolidate internal resources, actively promote the overall sales and marketing strategy, intensify the synergy by taking the complementary advantages of the terminals and the ancillary value-added port services as a whole, and design integrated logistics supply chain service solutions for our key customers in order to enhance the leading position of the Group in the industry.

- To strengthen the cooperation between ports and shipping companies. Firstly, the Group will thoroughly adhere to the strategy of "large customers" and reinforce the strategic alliance with major shipping companies and co-marketing with shipping companies to facilitate their cooperation with the owners of cargo so as to satisfy their needs under modern logistics development and attract new shipping routes. Secondly, the Group will carry out co-marketing of the berths under the Group to ensure sufficient berthing time so as to meet the berthing capacity required for vessels of different sizes and further meet the required berthing time for shipping companies. Thirdly, the Group will speed up the upgrading of berths No. 1 to No. 5 in Haicang port area to improve the capacity of berths to better meet the requirements for the operation of the large scale vessels and increase the terminal throughput.

- To actively expand the market of the cargo owners. The Group will strengthen the communications and liaison with the cargo owners to deepen the cooperation, further broaden the market of cargo owners and increase the proportion of loaded containers in the port. Firstly, the Group will focus on developing the long-term cooperative relationships with large customers and those who account for a significant proportion of contribution, optimize the customer structure, raise the proportion of the basic cargo sources and strengthen the control over high-end cargo sources. Secondly, the Group will be committed to cargo canvassing. By leveraging on our sea-rail joint transportation and inland ports, the Group will proactively explore new customers and secure new cargo sources, and endeavor to render services to direct customers to seek for new growth points of profit.

- To manage the coordination and development of domestic and foreign trade container businesses. First, the Group will proactively adopt flexible marketing strategy, improve service quality and management approaches, and will especially increase the sensitivity of responding to market, so as to seize opportunities in fluctuations and to enhance efficiency through energetically developing foreign trade container business and optimizing the shipping routes structure. Secondly, the Group will capitalize on the policy of stimulating domestic demands, actively facilitate the implementation of supporting policy by Xiamen municipal government on the development of domestic trade container business, vigorously develop costal domestic trade market, and strive to realize the coordinated development of port foreign and domestic trade container business.

- To facilitate a steady growth of bulk/general cargo business. Firstly, the Group will cautiously and prudently handle the issues relating to the relevant land collection in Dongdu Terminal and reinforce internal coordination in order to ensure a stable development of the operation of Dongdu Terminal. Secondly, the Group will further utilize the capacity of berth No. 8 in Haicang port area so as to increase the throughput of general cargo business of the Group. Thirdly, the Group will actively seek for a resolution for the relevant shipping channel in southern port area of Liuwudian and make efforts to put the relevant berths into operation as soon as possible, with a view to improving the market competitive strength of bulk/general cargo business of the Group and to focusing on the development of stone business and other businesses by taking the geographic advantages of the port area.

- To proactively expand the ancillary value-added services business. Firstly, the Group will closely monitor the market trends, build up the advantages of the supply chain of port integrated logistics service, and maximize the overall interest by setting up the extended customer-oriented service model, improving relevant management procedures, enhancing service quality and continuously introducing more value-added services to our customers. Secondly, the Group will completely leverage the Xiamen Bonded Logistics Park and Haicang Bonded Port Area to create innovative business models, develop bonded logistics as well as other port-related businesses for better returns. Thirdly, the Group will pursue more extensive external cooperation, explore new business drivers and seek for new point of profit growth.

- To strengthen its refined management. Firstly, the Group will insist on the integration development model, strengthen the cost control and management, explore internal potentials, spare no efforts in reducing cost and improving efficiency, and last but not least, continue to promote the energy saving projects, such as "oil to gas", "oil to electricity" and high-pole lamp LED improvement etc., so as to minimize energy consumption and operation cost of the Group with the use of new technologies and optimized operation procedures. Secondly, the Group will continue the stable operation strategies, value risk management highly, actively cooperate with relevant intermediaries, and further modify and strengthen the internal control system. Thirdly, the Group will further improve its remuneration management system and corporate incentive and restraint mechanisms.

- Pursuant to the "Option and Right of First Refusal Agreement" entered into between the Company and Xiamen Port Holding on 2 December 2005, the Company will actively follow up the progress of construction works of relevant terminals of Xiamen Port Holding, so as to facilitate the Board of the Company to make the appropriate decisions based on the management and operational circumstances at the time.

Share Capital

The table below sets out the share capital structure of the Company as at 30 June 2012:

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 was no movement in the share capital of the Company during the six months ended 30 June 2012.

Interim Dividend

The Board did not recommend payment of any interim dividend during the six months ended 30 June 2012 (same period in 2011: Nil).

Share Option Scheme

The Company did not have any share option scheme.

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

As at 30 June 2012, none of the directors of the Company ("Directors"), supervisors of the Company ("Supervisors"), chief executives of the Company or their respective 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 as contained in Appendix 10 to the Listing Rules (the "Model Code").

Substantial Shareholder's Interests

As at 30 June 2012, so far as was known to the Directors, Supervisors or chief executives of the Company, the following 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 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%

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

Save as disclosed above, as at 30 June 2012, 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 2012, the Company and its subsidiaries had not purchased or sold any listed securities of the Company. The Company did not redeem any of its shares during the period.

Acquisition and Disposal

For the six months ended 30 June 2012, other than the acquisition of 25% equity interest in Songyu Terminal, which is accounted for as an associated company of the Group, 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 Code

The Company is committed to maintaining high standards of corporate governance for the Group. The Board believes that sound corporate governance makes important contribution to both the success of the Company's operation and the boost of shareholders' interest. The effort made by the Company for information disclosure is widely recognised as our 2011 Annual Report was awarded the Silver Award for the excellence within its industry on the development of the organization's annual report in the Annual Report Competition organized by LAPC.

The Company has put in place corporate governance practices to comply with and to consistently apply the provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). For the six months ended 30 June 2012, the Company had complied with all the code provisions and most of the recommended best practices set out in the Corporate Governance Code as well as the former Code on Corporate Governance Practices. In addition, so far as was known to the Directors, no incident of non-compliance of the Corporate Governance Code was noted by the Company.

The Board

As at the date of this interim report, the third session of the Board comprised the following 12 Directors:

Executive Directors:
Mr. LIN Kaibiao *(Chairman)*
Ms. MIAO Luping
Mr. FANG Yao
Mr. HUANG Zirong
Ms. HONG Lijuan

Non-executive Directors:
Mr. ZHENG Yongen
Mr. CHEN Dingyu
Mr. FU Chengjing
Mr. KE Dong

Independent Non-executive Directors:
Mr. LIU Feng
Mr. ZHEN Hong
Mr. HUI Wang Chuen

The Supervisory Committee

As at the date of this interim report, the third session of the Supervisory Committee of the Company comprised the following 6 Supervisors:

Supervisors:
Mr. YAN Tengyun *(Chairman of the Supervisory Committee)*
Mr. LUO Jianzhong
Mr. WU Jianliang
Mr. WU Weijian
Mr. TANG Jinmu
Mr. XIAO Zuoping

Nomination Committee

Pursuant to the provisions of the Corporate Governance Code which came into effect on 1 April 2012, the Company has revised the terms of reference of the Nomination Committee, which has been adopted by the tenth meeting of the third session of the Board and has been published on the websites of the Hong Kong Stock Exchange and the Company.

The primary responsibilities of the Nomination Committee are to: review the structure, size and composition of the Board; identify individuals who are suitably qualified to be appointed as a Director and assess the independence of the Company's 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. The Nomination Committee comprises Mr. LIN Kaibiao, the Chairman and an Executive Director of the Company, as well as two Independent Non-executive Directors, namely Mr. LIU Feng and Mr. HUI Wang Chuen. The Nomination Committee is chaired by Mr. LIN Kaibiao.

Audit Committee

Pursuant to the provisions of the Corporate Governance Code which came into effect on 1 April 2012, the Company has revised the terms of reference of the Audit Committee, which has been adopted by the tenth meeting of the third session of the Board and has been published on the websites of the Hong Kong Stock Exchange and the Company.

The primary responsibilities of the Audit Committee are to: propose the re-appointment, oversee the performance and approve the remuneration of the external auditors; review the completeness and accuracy of the Company's financial accounts; evaluate and supervise the Company's financial reporting procedures and oversee the Company's internal control procedures and their effectiveness. The Audit Committee comprises two Independent Non-executive Directors, namely Mr. LIU Feng and Mr. ZHEN Hong, and one Non-executive Director, Mr. FU Chengjing. The Audit Committee is chaired by Mr. LIU Feng.

The Audit Committee has reviewed the Company's interim results and interim report for the six months ended 30 June 2012 and agrees with the accounting policies adopted by the Company.

Remuneration Committee

Pursuant to the provisions of the Corporate Governance Code which came into effect on 1 April 2012, the Company has revised the terms of reference of the Remuneration Committee, which has been adopted by the tenth meeting of the third session of the Board and has been published on the websites of the Hong Kong Stock Exchange and the Company.

The primary responsibilities of the Remuneration Committee are to: formulate the remuneration policy for the Directors, Supervisors and senior management of the Group; review and formulate their remunerations and benefits, as well as make recommendations on the remunerations of Directors, Supervisors and senior management to the Board. The Remuneration Committee comprises two Independent Non-executive Directors, namely Mr. HUI Wang Chuen and Mr. LIU Feng, and one Non-executive Director, Mr. CHEN Dingyu. The Remuneration Committee is chaired by Mr. HUI Wang Chuen.

Business Strategy Committee

The Business Strategy Committee is responsible for considering, evaluating and reviewing long-term strategic development plan and material capital operations and asset management projects, 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. The above-mentioned functions are included in the terms of reference of the Business Strategy Committee, which has been published on the Company's website. The Business Strategy Committee comprises one Independent Non-executive Director, Mr. ZHEN Hong, three Executive Directors, namely Mr. LIN Kaibiao, Ms. MIAO Luping, Mr. FANG Yao, and two Non-executive Directors, namely Mr. CHEN Dingyu, Mr. FU Chengjing. The Business Strategy Committee is chaired by Mr. ZHEN Hong.

Code for Securities Transactions by Directors and Supervisors

The Company originally adopted the Model Code and with regard to the Company's actual circumstances, in 2006 the Company prepared the Model Code for Securities Transactions by Directors for Xiamen International Port Co., Ltd (the "Code") on terms no less than the required standards as set out in the Model Code. The Code was adopted as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company after the Board's consideration and approval. 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 2012, and the Company had not been aware of any violations thereof during the six months ended 30 June 2012.

Amendments to the Articles of Association of the Company

1. Pursuant to the Port Law of the PRC, the Regulations on the Administration of Port Business and other relevant laws and regulations, the Company has applied to the Xiamen Port Authority for the renewal of the Port Operation License, where the Xiamen Port Authority has promulgated a set of standard language for the scope of business and operation to be stated in the Port Operation License. Although such standard language has no substantial difference from the existing language currently adopted by the Company, the Board considers that it is appropriate to amend the provisions relating to the "Business Scope" of the Company in the articles of association of the Company (the "Articles of Association") so as to keep in line with such standard language; and

2. Given that at present the total number of the Company's Independent Non-executive Directors has been fixed at three, representing only one-fourth of the Board, the provision relating to the composition of the Board contained in the Articles of Association is required to be amended so as to comply with Rule 3.10A of the Listing Rules as introduced by the Hong Kong Stock Exchange with effect from 1 January 2012, pursuant to which the Company must appoint independent non-executive directors representing at least one-third of the board of directors by 31 December 2012. For this purpose, the Company approved to make necessary amendments to relevant provisions of the Articles of Association by way of a special resolution proposed at the 2011 Annual General Meeting held on 8 June 2012. Details can be found in the relevant announcement and circular dated 18 April 2012 published by the Company.

The Company has completed all the related registration and filing procedures regarding the aforesaid amendments to the Articles of Association in accordance with the applicable laws and regulations of the PRC and Hong Kong, as well as relevant requirements of the Listing Rules.

Post Balance Sheet Events

Details of the post balance sheet events are set out in Note 23 to the unaudited interim condensed consolidated financial information.